

LANDS IN TRUST HOMES THAT LAST

A PERFORMANCE EVALUATION OF THE CHAMPLAIN HOUSING TRUST

JOHN EMMEUS DAVIS & ALICE STOKES

**CHAMPLAIN
HOUSING TRUST**



CELEBRATING 25 YEARS

ABOUT THE AUTHORS

John Emmeus Davis is a partner and co-founder of Burlington Associates in Community Development LLC, a national consulting cooperative founded in 1993. He previously served for ten years as Housing Director for the City of Burlington and as Coordinator for the Old North End Enterprise Community. He has taught urban studies, housing policy, and neighborhood planning at the University of Vermont, New Hampshire College, and MIT. A founding member of the faculty and board of the National CLT Academy, he presently serves as the Academy's Dean. He holds an M.S. and Ph.D. from Cornell University.

Alice Stokes worked at the Champlain Housing Trust for five years. She became interested in the community land trust model when she bought a home through CHT in 2003. She served as the first staff for the National Community Land Trust Network from 2005-2008. Alice and her family currently live in one of the resale-restricted homes included in this study. She holds a B.A. from the University of Vermont.



This publication was printed on 30% postconsumer recycled paper using high solid inks, containing less than 1% VOC, and 100% Certified Renewable Energy.

LANDS IN TRUST HOMES THAT LAST

A PERFORMANCE EVALUATION OF THE CHAMPLAIN HOUSING TRUST

JOHN EMMEUS DAVIS & ALICE STOKES

**CHAMPLAIN
HOUSING TRUST**



CELEBRATING 25 YEARS

88 King Street, Burlington, Vermont 05401 ■ (802) 862-6244

www.champlainhousingtrust.org



PREFACE

Last year, the Champlain Housing Trust was awarded the prestigious United Nations World Habitat Award for the Global North and recognized as a viable alternative to the failed practices of the conventional mortgage markets that were driving so many lower-income households into financial ruin under the guise of expanding homeownership.

While the scale and reach of the current economic crisis is historic, it is only the latest trough in a cycle of boom and bust that destabilizes lower-income neighborhoods, homeowners, and renters in good times and bad. Hot markets leave many behind who just can't afford to purchase or rent a decent home. These same members of our communities are hardest hit by the crash when foreclosure and disinvestment expose residents to abandonment, blight, and the social ills that follow. Our model of community investment and land stewardship has provided homeownership in a sustainable way and prevented displacement in the neighborhoods that we have visibly improved across a quarter century of market fluctuations, while preserving the public dollars used to create initial affordability.

The homeownership program described and evaluated in this study began 25 years ago in a small city with a big idea. The big idea was that affordable housing was a community asset too valuable to be left to the shifting winds of the speculative market. The city was Burlington, Vermont and the vehicle they chose to fulfill that vision was the community land trust.

We have known for many years that CHT's homebuyers were improving their housing and their financial situation even as they contributed, by sharing their equity with the next buyer, to lasting housing affordability in our region. We have been eager to share that knowledge with others, especially at a time that cries out for better housing policy. We hope this study will contribute to a much needed national dialogue on forward-looking, choice-enhancing housing solutions and encourage other communities to invest in permanently affordable housing solutions like the community land trust.

While many sets of hands and pairs of eyes contributed to producing *Lands in Trust*, two stand out. We could not have undertaken this study without the generous contribution of time and expertise of **John E. Davis** of Burlington Associates in Community Development. His knowledge and deep experience as a leader, scholar, and practitioner in the community land trust movement drove the research and analysis, and his donation of countless hours of precious time got it done. Working with John on CHT's staff was **Alice Stokes**, who conducted all the resale research, created the graphs and charts, and worked with John on every detail of information gathering, analysis, and presentation.

We also thank our funding and lending partners, without whom we would have never been able to build CHT into the largest community land trust in the country. Thanks most of all go to CHT's homeowners, past and present, who have invested so many of their own resources and hopes in helping us to demonstrate the prudence and practicality of lands in trust – and homes that last.

A handwritten signature in black ink, appearing to read 'B Torpy', with a stylized, cursive script.

Brenda Torpy, CEO
Champlain Housing Trust

ACKNOWLEDGMENTS

Lands in Trust, Homes That Last is an expansion and update of *Permanently Affordable Homeownership: Does the Community Land Trust Deliver on Its Promises?* (John Emmeus Davis and Amy Demetrowitz, May 2003).

The authors wish to thank everyone who brought a critical eye to our earlier drafts. Assistance in completing the 2003 edition of this study was provided by Colin Bloch, Rachel Bratt, Rick DeAngelis, Don Dickson, Robert Dowling, Joseph Fiacco, Nita Hanson, LaRayne Hebert, Mary Houghton, Rick Jacobus, Jane Knodell, Tim McKenzie, Kim Moran, Polly Nichol, William Rohe, Richard Schramm, Brenda Torpy, David Weinstein, Kirby White, and Jeff Yegian. Critical comments and helpful suggestions for improving the 2009 edition were generously provided by Bonnie Acker, Gretchen Bailey, Maura Collins, Don Dickson, Chris Donnelly, Rob Leuchs, Jim Libby, Michael Monte, Polly Nichol, Brian Pine, and Brenda Torpy. Kate Friedrich and Rob Filitor helped with research and data compilation. These colleagues made a significant contribution to the quality of our work, recommending revisions and correcting many errors of fact or interpretation. Responsibility for any errors that remain is, of course, ours alone.

Special appreciation is reserved for Emily Higgins, CHT's Director of Homeownership, who acted as the project manager for the project with grace and patience, and Amy Demetrowitz, John's co-author for the earlier edition of this performance evaluation, whose day-to-day experience in developing and selling resale-restricted homes proved invaluable. Once drafted, Chris Donnelly managed the production of this report, including soliciting endorsements and helping to secure funding, and Jon Shenton designed the study that you see before you, with the assistance of Anne Linton.

The authors are especially indebted to several funders who generously supported the production and dissemination of this study: the Ford Foundation, NeighborWorks® America, the Building and Social Housing Foundation, NCB Capital Impact, Russell Hahn, the National Community Land Trust Network, and the Vermont Housing and Conservation Board. Their support has enabled CHT to provide copies of *Lands in Trust* at no cost to the public.

© Champlain Housing Trust, 2009

Extracts from this publication may be reproduced without further permission provided the content is not modified,
the use is for noncommercial purposes only and the source is fully acknowledged.

TABLE OF CONTENTS

- PREFACE** **iii**

- ACKNOWLEDGMENTS** **v**

- EXECUTIVE SUMMARY** **1**

- LANDS IN TRUST, HOMES THAT LAST** **5**

- THE CHAMPLAIN HOUSING TRUST** **9**

- DESIGN & SCOPE OF THE STUDY** **15**

- PERFORMANCE IN DELIVERING COMMUNITY BENEFITS** **21**
 - PRESERVING AFFORDABILITY 21
 - RETAINING COMMUNITY WEALTH 27
 - ENHANCING RESIDENTIAL STABILITY 31

- PERFORMANCE IN DELIVERING INDIVIDUAL BENEFITS** **37**
 - EXPANDING HOMEOWNERSHIP 37
 - CREATING INDIVIDUAL WEALTH 41
 - ENABLING RESIDENTIAL MOBILITY 48

- CONCLUSION** **55**

- APPENDIX A: COMPARISON OF FINDINGS, 2003 AND 2009 EDITIONS** **59**

- APPENDIX B: FEDERAL DEFINITION OF A “COMMUNITY LAND TRUST”** **61**

- APPENDIX C: CONGRESSIONAL RECORD: “CHT WINS WORLD HABITAT AWARD”** **62**



EXECUTIVE SUMMARY

Between 1984 and 2008, the Champlain Housing Trust (formerly the Burlington Community Land Trust) developed 424 modestly-priced single-family houses and condominiums. All of these homes were sold to homebuyers subject to durable contractual controls over their occupancy, use, and resale; controls designed to maintain the homes' availability and affordability for low-income households for many years. The first resale of a CHT home occurred in 1988. By the end of June 2008, CHT had overseen the resale of 205 houses and condominiums.

This pool of resales provided a rare opportunity to evaluate the performance of an unconventional model of tenure that promises to secure the benefits of homeownership for persons of modest means, while also achieving larger social goals like the preservation of affordability, the stewardship of public resources, and the stabilization of residential neighborhoods. While such claims are common to all community land trusts, most of the nation's CLTs are too new and too small to have had many resales. There has been little way to gauge how effective they have been, therefore, in doing what they promise to do.

The Champlain Housing Trust, by contrast, has been around since 1984. It has built a sizable portfolio of resale-restricted, owner-occupied housing and has had a significant number of resales. In 2003, the Burlington Community Land Trust used data derived from these resales to undertake a systematic assessment of how well its innovative approach to homeownership had performed over the previous nineteen years. Six years later, on the organization's twenty-fifth anniversary, the Champlain Housing Trust has refined and updated this ground-breaking evaluation, incorporating data from more recent resales.

The present evaluation, like the earlier one, examines how effective CHT has been in reliably delivering – and equitably balancing – two sets of benefits, some accruing primarily to the homeowners served by CHT (individual benefits) and some accruing primarily to society as a whole (community benefits). The study's principal findings are as follows:

EXPANDING HOMEOWNERSHIP Access to homeownership for persons excluded from the market was expanded. All of the households served by CHT earned less than 100% of Area Median Income (AMI). Most earned considerably less. The average household served by CHT on the initial sale of a house or condominium earned 69.4% of AMI. The average household served by CHT on the resale of these same homes earned 68.6% of AMI.

CREATING INDIVIDUAL WEALTH When reselling their homes, most CHT homeowners walked away with more wealth than they had possessed when first buying the home. Although less than they might have realized from the resale of an unrestricted, market-rate home in an appreciating market (assuming they been able to buy such a home), CHT's homeowners still earned a very respectable return on their investment. The average CHT homeowner, reselling after five-and-a-half years, recouped her original downpayment of \$2,300 and received a net gain in equity of nearly \$12,000. Homeowners who made capital improvements in their homes received even more.

ENABLING RESIDENTIAL MOBILITY Households who left CHT did so for similar reasons and with similar success as homeowners buying and selling on the open market. One hundred eighteen of CHT's homeowners bought unrestricted, market-rate homes after reselling their CHT home; ten bought another resale-restricted CHT home; forty-two became tenants, sometimes renting from CHT; and five died. The subsequent housing situations of another thirty households could not be determined, primarily because they had left the state. Among CHT homeowners whose subsequent housing situations were known, 67.4% of them bought market-rate homes within six months of leaving CHT; another 5.7% traded their first resale-restricted home for another, choosing to remain within CHT.

PRESERVING AFFORDABILITY Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was removed. The average CHT home was affordable to a household earning 56.6% of AMI on initial sale. On resale, it was affordable to a household earning 53.4% of AMI – a 5.65% gain in affordability.

RETAINING COMMUNITY WEALTH Public subsidies invested in CHT's houses and condominiums remained in the homes at resale, underwriting their affordability for subsequent generations of lower-income homebuyers. An initial public investment of \$2,172,207 in those homes that resold one or more times allowed CHT to bring homeownership within the reach of 357 lower-income households. Had these subsidies not been retained in the homes, allowing their owners to pocket both the public's investment and all capital gains when reselling, the size of the public's investment needed to serve the same number of households at the same level of income as CHT had served would have been five times greater.

ENHANCING RESIDENTIAL STABILITY Lands and homes placed under the stewardship of CHT were seldom removed from its portfolio. Occupancy, use, and resale controls remained in place for 96.7% of the 424 units of owner-occupied housing developed by CHT between 1984 and 2008. Only 14 homes were released to the market. Foreclosures remained a rare event, even as the mortgage meltdown in the rest of the United States approached the point of crisis. Over its twenty-five year history, CHT has had only nine foreclosures. No lands or homes have ever been lost from CHT's portfolio because of foreclosure.

The Champlain Housing Trust, for most of its existence, has operated in a housing market with rising prices, a growing demand for modestly-priced housing, and a chronic shortage of houses and condominiums within the financial reach of persons earning less than 80% of AMI. Only recently has the local homeownership market experienced a decline in prices, but with little effect on the "affordability gap" that has long existed between the average cost of housing and the average income of the households hoping to buy that housing. CHT, on the other hand, has had considerable success in closing that gap, not only on the initial sale of a house or condominium but also on its eventual resale. The performance of CHT's portfolio of resale-restricted, owner-occupied housing provides encouraging evidence that it is possible to promote the legitimate interests of first-time homebuyers, without sacrificing the legitimate interests of the larger community. In Burlington, Vermont for twenty-five years, the Champlain Housing Trust has been doing what it promised to do.



LANDS IN TRUST, HOMES THAT LAST

A PERFORMANCE EVALUATION OF THE CHAMPLAIN HOUSING TRUST

Quietly thriving amid the more familiar forms of affordable housing promoted by governmental agencies and by for-profit investors in the United States, a robust “third sector” of private, nonmarket housing has grown to maturity during the past thirty years. Contained within this sector are many types and tenures of housing, including nonprofit rentals, mutual housing associations, limited equity (and zero equity) cooperatives, community land trusts, and resale-restricted houses and condominiums with affordability covenants lasting many years.¹

In most of these models of third sector housing, the occupants are homeowners. They hold many of the same rights that any other homeowner would expect to possess when gaining title to residential property, an ownership stake that is secured by possession of a deed, a ground lease, and/or corporate shares that are transferable and inheritable. They are homeowners, too, because of the security they enjoy, the control they exercise, the responsibilities they assume, and the risks they bear in occupying and operating their housing. Unlike their counterparts in market-rate housing, however, some of these rights, responsibilities, risks, and rewards are *shared* with a nonprofit organization that remains in the picture long after these homes are sold. Hence the name that is often given to those models of third sector housing that are clustered at the homeownership end of the tenure continuum: shared equity housing.²

Part of what is shared is the financial gain from owning a home. The owners of shared equity housing typically recoup at resale whatever personal investment they have made in buying, maintaining, and improving a home, augmented by a modest return. They are not allowed to walk away, however, with all of the value embedded in their property, since much of it – perhaps most of it – is a product of the *community’s* investment: equity created at the time of initial purchase if a public grant, charitable donation, or mandated concession from a private developer was used to reduce the home’s price; and equity created during the course of the homeowner’s tenure if public investments in infrastructure, private improvements in surrounding properties, or

1 It should be noted that, while the CLT can stand alone as a unique form of housing tenure, it is often combined with other models of “third sector housing.” For instance, limited equity cooperatives, limited equity condominiums, and even nonprofit rental projects are often sited on land that is leased from a CLT. For a detailed description and comparison of these various models of “third sector housing,” see “Beyond the Market and the State: The Diverse Domain of Social Housing,” in J.E. Davis (ed.), *The Affordable City: Toward a Third Sector Housing Policy*, Philadelphia, PA: Temple University Press, 1994.

2 See: John Emmeus Davis, *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing*, Montclair, NJ: National Housing Institute, 2006.

*Shared equity homes
are wrapped in a
durable garment of
stewardship, where a
homeowner is never
forced to go it alone.
These homes are
designed to last, in
good economic times
– and in bad.*

changes in the regional economy have increased the home's appraised value. Such socially created value is retained in the home, keeping it affordable for the next homebuyer of modest means, one resale after another; one generation after another.

Equity is more than investment and appreciation, however. It is more than money. It is the "owner's interest" – the total package of rights, responsibilities, risks, and rewards that accompany the ownership of residential property. In market-rate housing, this package belongs exclusively to the homeowner. In shared equity housing, it does not. An organizational steward, whether a nonprofit organization, a cooperative housing corporation, or a public agency, retains an interest in the property, continuing to exercise a degree of control over how it is used, financed, maintained, improved, and conveyed. An organizational steward stands behind the property, helping the occupants to shoulder the responsibilities and to manage the risks of homeownership. Shared equity homes are wrapped in a durable garment of stewardship, where a homeowner is never forced to go it alone. These homes are designed to last, in good economic times – and in bad.³

This commitment to the continuing stewardship of affordable homeownership opportunities that public dollars and private donations have helped to create, while a characteristic of all shared equity housing, is the heart and soul of the community land trust (CLT). Stewardship is what a CLT does best: preserving affordability when real estate markets are hot; protecting residential assets and preventing foreclosures when markets are cold. News from the field has affirmed that CLTs have been doing a superior job of stewardship. Local CLTs have reported for years that the owner-occupied housing within their portfolios continues to resell for prices that remain affordable for households at the same level of income as those who initially purchased them. They have asserted that, unlike other homeownership assistance programs where public subsidies are removed by the homeowner or recaptured by a public agency whenever homes resell, CLTs continue to serve the same targeted group of low or moderate-income homebuyers *without* the need for additional subsidies, regardless of the number of times a home is resold. CLTs have also touted their success in "backstopping" security of tenure for their lower-income homeowners, claiming a foreclosure rate many times lower than the national norm.⁴

Beyond a mountain of anecdotal evidence, however, there have been few systematic, data-based evaluations of the model's effectiveness, mainly because most of the nation's CLTs are still too new and too small to have had a significant number of

3 See: John Emmeus Davis, "Homes That Last: the Case for Counter-Cyclical Stewardship," *Shelterforce*, Winter 2008: 18-25.

4 The National CLT Network (NCLTN) has conducted two surveys of its members focused specifically on mortgage foreclosures. One of these surveys was completed in December 2008; the other in March 2009. Both discovered a foreclosure rate among the CLTs' portfolios of resale-restricted, owner-occupied housing that was a fraction of the national rate among market-rate homes. In the latter survey, NCLTN discovered the **foreclosure** rate among the resale-restricted, owner-occupied homes of CLTs to be 0.5%. The **default** rate among CLT homeowners (mortgage payments more than 90 days in arrears) was reported to be 1.4%. At the same point in time, the NATIONAL foreclosure rate among market-rate homes stood at 3.3%; the national delinquency rate stood at 7.0%. See: www.cltnetwork.org

resales. Without many cases to draw from, over a span of many years, it has been difficult to gauge whether the model performs as promised.

The community land trust in Burlington, Vermont is an exception to this pattern of too new and too small. Incorporated in 1984, the Champlain Housing Trust (CHT) – then known as the Burlington Community Land Trust – spent its first decade assembling a respectable portfolio of over 100 resale-restricted, owner-occupied houses and condominiums. That portfolio then doubled in size and doubled again, reaching a total of 410 shared equity homes by 2008. Within that portfolio, over an organizational lifespan of twenty-five years, there were 205 resales. All of these houses and condominiums were sold and resold subject to durable contractual controls that were designed to maintain affordability and to preserve owner-occupancy for many years. They were meant to last.

These 410 resale-restricted homes and 205 resales provided a rare opportunity to test whether the Champlain Housing Trust actually secures the community benefits and the individual benefits that are claimed for it. On the *community* side, does CHT's model of resale-restricted, owner-occupied housing deliver on its promise of lasting affordability? Does it protect and leverage the community's investment in affordable housing, retaining the public subsidies that bring homeownership within the financial reach of lower-income households? Does it protect homeownership gains over time, safeguarding security of tenure and neighborhood stability?

On the *household* side of the benefits equation, does CHT's model of resale-restricted, owner-occupied housing help lower-income people to improve their lives? Has CHT been successful in expanding access to homeownership for persons who could not otherwise afford a home? Do these homeowners receive a fair return on their investment when they resell? Do they build wealth? Do they buy another house or condominium after reselling their CHT home – or do they slip back into being the renters they were *before* CHT helped to boost them into homeownership?

These are the questions our study was intended to answer. They are the yardstick against which we have measured the performance of CHT's portfolio of shared equity housing and, by extension, CHT's programmatic success in doing what it claims it can do. Because these claims are common to nearly all community land trusts, the evaluation of CHT has a wider relevance. Despite the many variations that exist among the nation's 230 CLTs and the many differences that exist from one housing market to another, especially in a time when some remain strong and some have collapsed, we believe CHT's experience with shared equity homeownership to be fairly representative of the experience of many other CLTs (and, for that matter, of many nonprofit housing development organizations that are *not* CLTs). To the extent this is true, a performance evaluation of CHT's sizable portfolio of resale-restricted, owner-occupied housing may be seen as a crucial test of the model itself, with implications that extend beyond a single CLT in Burlington, Vermont.



THE CHAMPLAIN HOUSING TRUST

The Champlain Housing Trust had its origins in 1984, when municipal officials, neighborhood activists, and tenant advocates joined forces to create the Burlington Community Land Trust. A \$200,000 grant, proposed by Burlington’s progressive mayor and awarded by the city council, was used to seed this new organization. The founding purposes of the BCLT were to:

- increase the number of affordable homeownership opportunities for families of modest means;
- provide access to land and decent housing for low- and moderate-income persons; and
- promote neighborhood preservation and improvement through the responsible use and management of land.

The organization’s form and function followed the basic blueprint for a community land trust (CLT). This unconventional model of housing and community development had been devised nearly two decades before by the Institute for Community Economics (ICE), a national intermediary based in the neighboring state of Massachusetts. ICE was retained by the City of Burlington’s Community and Economic Development Office to assist in establishing a city-wide CLT soon after the start-up money was appropriated by the city council. It was no accident, therefore, that the new organization closely resembled the “classic” CLT, as that model had been described by ICE since the 1960s – and as that model has been defined in federal law since 1992.⁵

Although the organization’s name was changed to the Champlain Housing Trust in 2006, following BCLT’s merger with a local nonprofit developer of affordable rental housing, it continues to be structured and operated as a community land trust. The key features of this model, as embodied in CHT, are as follows:

NONPROFIT, TAX-EXEMPT CORPORATION The “classic” CLT is an independent, not-for-profit corporation that is legally chartered in the state in which it is located. Most CLTs, including the Champlain Housing Trust, also receive a 501(c)(3) tax exemption

⁵ There is considerable variation among the 230 community land trusts in the United States. Several features are common to nearly all of them, however. These features, constituting what is often called the “classic” CLT, are enshrined in a federal definition of the community land trust that appears in Section 212 of the Housing and Community Development Act of 1992 (see APPENDIX B). The bill that added this CLT definition to federal law was introduced by U.S. Representative Bernie Sanders, who had been Burlington’s mayor when CHT was created at the City’s instigation and with the City’s support. Sanders is now a United States Senator.

Control of CHT's board is diffused and balanced to ensure that all interests are heard but no one interest is predominant.

from the federal government because their activities and resources are targeted toward charitable activities like providing housing for low-income people and redeveloping blighted neighborhoods. In CHT's case, all of its housing is priced to serve households earning no more than 80% of Area Median Income, although CHT occasionally serves homebuyers with incomes between 80% and 100% of AMI. The majority of CHT's homeowners and renters earn much less.⁶

COMMUNITY BASE CLTs operate within the physical boundaries of a targeted locale. They are guided by – and accountable to – the people who call that locality their home. Any adult who resides within the geographic area deemed by the CLT to be its “community” and who supports the CLT’s mission can become a voting member of the CLT by paying annual membership dues. This membership elects the CLT’s board of directors.⁷ CHT originally defined its “community” as the entire city of Burlington. This service area was expanded in 1987 to include all of Chittenden County and was then expanded once again in 2001 to add the northern counties of Franklin and Grand Isle. By the end of 2008, the Champlain Housing Trust had over 3,500 voting members.

BALANCED GOVERNANCE The 15-person board of CHT conforms to the three-part structure of the classic CLT. One third of the board represents the interests of people who lease land or reside in housing that is managed by CHT.⁸ One third represents the interests of people who live in the surrounding “community” who do not reside on CHT’s land or in CHT’s housing. One third is made up of municipal officials and a regional representative who are presumed to speak for the public interest. Control of CHT’s board is diffused and balanced to ensure that all interests are heard but no one interest is predominant.

DUAL OWNERSHIP The typical CLT acquires multiple parcels of land throughout its targeted geographic area with the intention of retaining ownership of these parcels forever. Any building already located on the land or later constructed on the land is sold off to an individual homeowner or, in some cases, to a cooperative housing corporation, a nonprofit developer of rental housing, or another nonprofit, governmental, or for-profit entity. In CHT’s case, every single-family house, duplex unit, or condominium located on land acquired by CHT has been sold off to an individual homeowner, with CHT retaining ownership of the underlying land. Dual ownership

⁶ All of the housing provided by CHT is priced to serve households below 80% of Area Median Income and most of the households served by CHT do, in fact, earn less than 80% of AMI. CHT is permitted to serve households earning up to 100% of AMI, however, under several federal, state, and municipal housing programs that it uses in subsidizing its housing. CHT’s policy is to give priority in the sale of its homes to households at the lowest possible income, all else being equal, a policy that is applied only in situations when two or more prospective homebuyers are vying for the same home. Otherwise, CHT sells its homes on a first-come-first-served basis to any household earning less than median income. In less than one out of every five sales (18%), a CHT house or condominium has been sold to a household earning between 80% and 100% of AMI.

⁷ Although members elect 100% of CHT’s board, nominations are made for all three board categories by the executive committee of CHT’s board of directors.

⁸ In CHT, “leaseholders” represented on the board of directors include not only the owners of single-family houses but also the owners of condominiums, the owners of co-op units, and the occupants of CHT’s rental housing.

is a feature of all of CHT's cooperative housing and most of its rental housing, as well: CHT holds title to the land and another corporate entity holds title to the buildings.⁹ There are a few projects, however, where CHT has retained ownership of both the land and the buildings. These exceptions have occurred for some of CHT's rental housing and for most of the nonresidential buildings developed by CHT for other nonprofit organizations.¹⁰ Other exceptions are condominiums located on lands that were never owned by CHT. Most of these condominiums are scattered among market-rate units in larger residential projects originally constructed by for-profit developers.

LEASED LAND Although CLTs intend never to resell their land, they provide for the exclusive *use* of particular parcels of land by the owners of any buildings located thereon. Parcels of land are conveyed to individual homeowners (or to the owners of other types of residential or commercial structures) through long-term ground leases. This two-party contract between the landowner (the CLT) and the homeowner protects the latter's interests in security, privacy, legacy, and equity, while enforcing the CLT's interests in preserving the appropriate use, the structural integrity, and the continuing affordability of any buildings located on its land. CHT's ground lease has a duration of twenty years, but is renewable "at the sole discretion of the Lessee for as long as the grass grows and the water runs." A new lease is executed and recorded every time that ownership of a building located on CHT's land changes hands. Lessees pay a fee of \$35 per month for use of the land.¹¹ All of CHT's single-family houses and duplexes are located on leased land. CHT's first condominiums were located on leased land, as well, but because later condominiums came into CHT's hands through inclusionary zoning or other arrangements with private developers where acquisition of the land by CHT was never part of the deal, ground leasing proved impractical. The occupancy, condition, and affordability of these units are protected, instead, through affordability covenants, attached to each condominium's deed.

PERPETUAL AFFORDABILITY The CLT retains a preemptive option to repurchase any residential (or commercial) structures located on its land and any condominium units for which it holds a covenant, should their owners ever choose to sell. The resale price, set by a formula contained in the ground lease or the covenant, is designed to give present homeowners a fair return on their investment, while giving future homebuyers fair access

9 CHT holds title to scattered parcels of land beneath 85 units of co-op housing. These buildings are owned by five different cooperative housing corporations. CHT also manages a large portfolio of rental housing. Prior to its 2006 merger with the Lake Champlain Housing Development Corporation, the Burlington Community Land Trust owned 249 rental units. CHT is now the owner (or co-owner) of 1,299 rentals. Most of them are contained in tax credit projects in which CHT has an ownership interest and for which CHT acts as the property manager. In some of these projects, CHT owns the underlying land, leasing it to the limited partnership that owns the building. In other cases, CHT owns both the land and the building. There are a few rental projects, containing a combined total of 159 apartments, where CHT owns neither the land nor the building, managing these properties on a fee-for-service basis for other owners.

10 CHT also owns 15 non-residential buildings, containing 105,000 square feet of commercial space, mostly leased to other nonprofit organizations

11 Lessees are also required to pay all service bills, utilities charges, property taxes, and other governmental assessments charged against the leasehold premises. The owners of condominiums in multi-unit projects that are not on leased land pay CHT a monthly administrative fee of \$25.

to housing at an affordable price. The resale formula used by CHT allows homeowners to recoup their original downpayment, any equity earned by paying off their mortgage, and the value of pre-approved capital improvements made by homeowners. In addition, if homes appreciate in value between the time of purchase and the time of resale, their owners are granted 25% of that appreciation.¹² CHT may choose not to exercise its option to repurchase homes that are put up for resale, if no income-eligible households are ready and willing to buy them.¹³ In every one of the 205 resales covered by the present study, however, CHT did in fact repurchase the home at the below-market price set by CHT's resale formula. These homes were immediately resold to other homebuyers of modest means.

PERPETUAL RESPONSIBILITY As owner and lessor of the underlying land – and as the likely buyer of houses and condominiums for which it holds a preemptive option – CHT has an abiding interest in what happens to these homes. CHT's primary interest, beyond the perpetuation of affordability, is to promote sound maintenance and protect owner-occupancy, especially in cases of mortgage default. Predatory lending is prevented. Absentee ownership is prohibited. Subletting is strictly regulated. CHT's leases and covenants also allow CHT to intervene in cases where homeowners have failed to maintain their homes or to make necessary payments on mortgages, utilities, etc. Should a homeowner default on her mortgage, CHT has the right to step in and cure the default, forestalling foreclosure. Should a cure not be warranted (or practical) and a foreclosure occurs, CHT has the right to repurchase the property from the mortgagee. In short, CHT remains a party to the deal, monitoring the condition of the housing and safeguarding the continuity of the homeownership opportunity it has worked so hard to create.

Throughout its history, the Champlain Housing Trust has enjoyed the steady support of an activist municipal government whose housing policy is founded on the twin pillars of encouraging nonprofit production of affordable housing and ensuring

12 CHT's resale formula gives the departing homeowner 25% of the appreciation for that portion of a residential property she originally bought and actually owns. CHT initially assumed that the entire cost of the underlying land would always be removed from the selling price of a house. Appraisals were done on the house alone, with the homeowner receiving 25% of the appreciated value of the house. As the years passed, CHT discovered that land prices were rapidly escalating and that public subsidies to buy land were not keeping pace. CHT also began to have trouble getting accurate appraisals for the land alone, because there were few sales of vacant land and, therefore, few comparables on which to base the appraisal. CHT revised its formula. Instead of assuming that the homeowner's interest would always be synonymous with the value of the house, CHT defined the ownership interest as that portion of the property's total value, land and house, which the homeowner bought from CHT – represented as a ratio: Purchase Price/Appraised value at time of purchase (Appraisal₁.) When the homeowner resells his/her ownership interest, s/he receives 25% of the appreciation that is attributable to his/her ownership interest, plus the price s/he paid in initially purchasing the home. The homeowner is entitled to this share of appreciation regardless of length of residence (assuming, of course, that appreciation has actually occurred in the value of his/her property). There is no requirement that a homeowner must reside in a CHT home for a minimum number of years before being able to claim a share of appreciation. Symbolically, CHT's resale formula can be expressed as follows:

$$\frac{\text{Initial Purchase Price} \times (\text{Appraisal}_2 - \text{Appraisal}_1)}{\text{Appraisal}_1} \times 25\% = \text{Homeowner's share of appreciation}$$

$$\text{Initial Purchase Price} + \text{Homeowner's share of appreciation} = \text{Resale price paid by CHT to the departing homeowner}$$

13 CHT has declined to exercise its preemptive option to re-purchase owner-occupied units on fourteen occasions. None of these units are included among the 205 resales examined by the present study. The removal of these fourteen condominiums from CHT's portfolio is discussed in detail under the section entitled "Ensuring Residential Stability," pages 31-35.

perpetual affordability of any housing produced using subsidies provided by the municipality.¹⁴ A similar policy has guided public spending for affordable housing by the State of Vermont. Over the years, state officials have tried several times to water down the legislature’s long-standing priority for funding projects with lasting affordability, but so far they have been unsuccessful.

Organizations like CHT were given access to new resources for affordable housing in 1987 with the State’s creation of the Vermont Housing and Conservation Board (VHCB). The enabling legislation that established this quasi-public entity contained a statutory priority for investing in projects that “prevent the loss of subsidized housing and will be of perpetual duration.”¹⁵ VHCB became a major source of project grants and operating support for CHT and for other housing and conservation land trusts throughout the state, all of whom share a common commitment to the long-term stewardship of property purchased with public dollars.

The high cost of land and housing in the greater Burlington real estate market has never made it easy for CHT to deliver homes that lower-income households can afford. Nevertheless, using grants provided by the City of Burlington, grants provided by VHCB, project and capacity funding from NeighborWorks® America, favorable financing from the Vermont Housing Finance Agency, and units acquired at below-market prices from private developers through inclusionary zoning, CHT managed to assemble a respectable portfolio of 410 owner-occupied houses and condominiums between 1984 and 2008, all of them selling for considerably less than comparable units offered for sale on the open market. The demand for CHT homes – both on initial sale and on resale – has remained strong, except for a period in the mid-1990s when CHT had the same trouble reselling condominiums as every other condo developer in a soft market. The current economic downturn has so far had little effect on the marketability of these resale-restricted homes, but that could change if the recession persists and mortgage financing dries up.

By June 30, 2008, the Champlain Housing Trust had built a diverse real estate portfolio of 1,980 price-restricted units, including single-family houses, duplexes, condominiums, cooperatives, rentals, transitional housing, and several residential facilities for persons with special needs. It owned 15 non-residential buildings, as well. It had total assets of \$43.1 million, a staff of 66 FTE employees, and an annual operating budget of \$5 million.

14 More information on the housing policies and programs of the City of Burlington, during the formative years of CHT, is provided by John Emmeus Davis, “Building the Progressive City: Third Sector Housing in Burlington,” in J.E. Davis, (*Ibid.*, 1994).

15 10 VSA chapter 15, section 322. For more on VHCB, see James M. Libby and Darby Bradley, “Vermont Housing and Conservation Board: A Conspiracy of Good Will among Land Trusts and Housing Trusts,” in C. Geisler and G. Daneker (eds.), *Property and Values: Alternatives to Public and Private Ownership*, Washington, DC: Island Press, 2000.



DESIGN & SCOPE OF THE STUDY

This evaluation of the Champlain Housing Trust was designed to measure the performance of CHT’s portfolio of resale-restricted, owner-occupied housing against claims that are commonly made by CHT and by other community land trusts for the effectiveness of the CLT model. Since CLTs draw a distinction in their theory and practice between the legitimate interests of individuals and the legitimate interests of community, so did we.¹⁶

These interests must be pursued in relation to one another. Individual homeowners who are served by CHT should not prosper at the expense of future generations of lower-income homebuyers, at the expense of scarce subsidies the community cannot afford to lose, or at the expense of neighborhoods in need of stability. Similarly, a community’s interest in long-term affordability, subsidy retention, and residential stability should not come at the expense of enabling lower-income households to gain access to homeownership, to build assets for the future, or to move into housing and neighborhoods of choice, should they someday desire to leave their CHT homes. A shared equity homeownership program like the one sponsored by CHT, judged by this standard, must reliably deliver – and equitably balance – two sets of benefits: those that accrue to persons who own and occupy the CLT’s resale-restricted homes (*individual benefits*) and those that accrue to the surrounding community or, more grandly, to society as a whole (*community benefits*).

Applying this standard of effectiveness to the design of our study, we discerned six separate claims for the model’s worth – six criteria that could be used in weighing whether CHT was actually doing what it promised to do. Each claim for a benefit accruing to community is paired with – and balanced by – a claim for a benefit accruing to individual homeowners.

¹⁶ Our point of departure was a description of the model contained in *The Community Land Trust Handbook*, published in 1982, two years before the Burlington CLT was created. The introductory chapter had this to say about the CLT’s commitment to “balancing individual and community interests”: “*What one individual does to secure his or her interests may interfere with the interests of other individuals or the community. And what the community does to secure its interests may interfere with the interests of individuals. A satisfactory property arrangement must not advance the interests of one individual or group at the expense of another. Any effectively balanced arrangement requires that there be agreement not only on what the legitimate interests are but on how they are limited by each other.*” (Institute for Community Economics. *The Community Land Trust Handbook*, Emmaus, PA: Rodale Press, 1982: 8).

| COMMUNITY BENEFITS PROMISED BY CHT | INDIVIDUAL BENEFITS PROMISED BY CHT |
|---|---|
| <p>PRESERVING AFFORDABILITY CHT is effective in maintaining the affordability of its owner-occupied housing, one resale after another.</p> | <p>EXPANDING HOMEOWNERSHIP CHT is effective in bringing homeownership within the reach of lower-income households who would not otherwise be able to purchase a home.</p> |
| <p>RETAINING COMMUNITY WEALTH CHT is effective in preventing the loss of any public (or private) subsidies that are invested in making homeownership affordable. The public’s investment is both preserved and leveraged, allowing CHT to serve more households at a lower cost than if these subsidies were removed.</p> | <p>CREATING INDIVIDUAL WEALTH CHT is effective in enabling lower-income households to build assets. When reselling their homes, CHT’s homeowners realize both a net gain in equity and a fair return on their initial investment.</p> |
| <p>ENHANCING RESIDENTIAL STABILITY CHT is effective in protecting homeownership gains that public investment and community support have helped to achieve. CHT reduces the rate of foreclosures and prevents the loss of land and housing to absentee ownership, even when foreclosures occur.</p> | <p>ENABLING RESIDENTIAL MOBILITY CHT is effective in serving as a stepping stone to homes and neighborhoods of choice, when homeowners leave CHT. Homeowners move on and up with relative ease when reselling their CHT homes.</p> |

The data used to evaluate these claims were drawn from CHT’s case records for *all* of the resale-restricted, owner-occupied housing in its portfolio – with a couple of exceptions. To ensure compatibility and comparability among the resale-restricted, owner-occupied homes being studied, two types of housing were removed from the pool. We did not include 85 units of owner-occupied housing contained in five limited equity cooperatives, located on land that is leased from CHT. The property possessed by the members of these co-ops, evidenced by shares of stock and a proprietary lease, is very different from the property possessed by the owner-occupants of CHT’s houses and condominiums. Equally important, the resale formula that determines the transfer value of these co-op shares is not the same formula used by CHT to determine the resale price of its houses and condominiums. Nor did we include 15 condominiums developed by another nonprofit organization for which CHT acts as the guarantor of long-term affordability, using a resale formula dictated by a state agency that is different from the formula applied to CHT’s other condominiums. In sum, we removed from consideration only those dissimilar components of CHT’s portfolio of resale-restricted, owner-occupied housing that could not be accurately compared to the rest.

What remained were 410 houses and condominiums that are subject to a similar set of durable contractual controls over their occupancy, use, and resale (see Table 1). It was the performance of this portfolio of resale-restricted, owner-occupied housing that we used to evaluate CHT’s effectiveness. Within this portfolio, our particular

focus was on the subset of 152 homes where title changed hands one or more times between June 17, 1988, the date of the first CHT resale, and June 30, 2008. During this twenty-year period, 105 of CHT's owner-occupied homes were resold once; 42 were resold twice; four were resold three times; and one was resold four times. Because of the affordability controls encumbering this owner-occupied housing, CHT was able to serve multiple households within each of these homes. Thus the 152

TABLE 1: CHT PORTFOLIO OF OWNER-OCCUPIED HOUSES AND CONDOMINIUMS INCLUDED IN RESALE STUDY*

| YEAR | HOUSES Added to CHT Portfolio | CONDOMINIUMS Added to CHT Portfolio | UNITS ADDED to CHT Portfolio | UNITS REMOVED from CHT Portfolio | CUMULATIVE Total | RESALES Houses & Condos | FORECLOSURES** Houses & Condos |
|---------------|-------------------------------------|---|---------------------------------|-------------------------------------|---------------------|----------------------------|-----------------------------------|
| 1984 | 1 | 0 | 1 | | 1 | 0 | 0 |
| 1985 | 3 | 2 | 5 | | 6 | 0 | 0 |
| 1986 | 5 | 0 | 5 | | 11 | 0 | 0 |
| 1987 | 0 | 2 | 2 | | 13 | 0 | 0 |
| 1988 | 1 | 0 | 1 | | 14 | 1 | 0 |
| 1989 | 3 | 0 | 3 | | 17 | 1 | 1 |
| 1990 | 8 | 1 | 9 | | 26 | 0 | 0 |
| 1991 | 12 | 3 | 15 | | 41 | 1 | 0 |
| 1992 | 10 | 23 | 33 | | 74 | 2 | 0 |
| 1993 | 3 | 13 | 16 | | 90 | 2 | 0 |
| 1994 | 14 | 15 | 29 | | 119 | 6 | 1 |
| 1995 | 13 | 18 | 31 | | 150 | 7 | 0 |
| 1996 | 10 | 3 | 13 | 1 condo | 162 | 7 | 0 |
| 1997 | 6 | 4 | 10 | | 172 | 12 | 1 |
| 1998 | 11 | 2 | 13 | 9 condos | 176 | 10 | 1 |
| 1999 | 15 | 7 | 22 | 2 condos | 196 | 10 | 1 |
| 2000 | 5 | 2 | 7 | | 203 | 14 | 0 |
| 2001 | 9 | 6 | 15 | | 218 | 9 | 2 |
| 2002 | 9 | 20 | 29 | | 247 | 17 | 0 |
| 2003 | 14 | 20 | 34 | | 281 | 16 | 0 |
| 2004 | 4 | 12 | 16 | | 297 | 17 | 0 |
| 2005 | 3 | 43 | 46 | | 343 | 17 | 1 |
| 2006 | 6 | 18 | 24 | | 367 | 19 | 0 |
| 2007 | 7 | 18 | 25 | 1 condo | 391 | 25 | 1 |
| 2008 | 9 | 11 | 20 | 1 condo | 410 | 12 | 0 |
| Totals | 181 | 243 | 424 | 14 | 410 | 205 | 9 |

*Included in CHT's portfolio of single-family, owner-occupied housing – but NOT included in this year-by-year count of houses and condominiums – are five limited-equity cooperatives (containing a total of 85 units) and fifteen condominiums developed by another nonprofit for which CHT acts as the steward of affordability, using a resale formula **not** comparable to the standard formula used by CHT in its other owner-occupied housing.

** Cases of material default resulting in the transfer of a home's ownership via foreclosure or deed-in-lieu-of-foreclosure. None of these nine homes were removed from CHT's portfolio due to foreclosure. One home was later released from the portfolio due to other reasons.

houses and condominiums, which together resold a total of 205 times, enabled CHT to lift 357 lower-income households into the ranks of homeownership. When added to the households who continue to occupy 258 homes in CHT's portfolio that have not resold since their initial purchase, CHT has boosted 615 lower-income households into homeownership since its founding in 1984.

Every one of these 410 homes and 205 transactions was included in the study, even the nine homes where a resale was precipitated by foreclosure. The information used in evaluating CHT's performance was compiled in two different ways. Data were extracted, case by case, from client files maintained by CHT on every household that ever purchased a home from CHT. From these files, we were able to determine the timing, pricing, and value of every sale, both when a home was first purchased from CHT and when it was later resold. We were able to determine the household size and household income of every buyer. We were able to determine how much public money went into lowering the price of a CHT home for the first homebuyer – and how much remained in the property to subsidize the second (or third or fourth) homebuyer on resale. We were able to calculate how much equity each homeowner realized when leaving CHT.

The data collected by combing through these records provided nearly all of the information needed to evaluate CHT's performance – on every count but one. The early case files contained very little information about the mobility of CHT's homeowners. Documentation was scarce regarding why they decided to sell their CHT homes, where they moved, and what housing they obtained after leaving CHT. Only after 2002 did CHT begin doing exit interviews, collecting information about the motivations and destinations of homeowners reselling their homes and leaving CHT. A methodology other than reviewing case files was required, therefore, if we were to evaluate the mobility of many of CHT's former homeowners. We considered surveying all 205 homeowners who had resold CHT homes since 1988, but current addresses for many of them were unknown, especially for those who had moved out of state. This led us to adopt an alternative strategy of surveying those CHT employees who had directly supervised the purchase and resale of CHT's houses and condominiums.¹⁷ They were asked to recall the why and where behind these resales. They were also asked to share any knowledge they might have had about the housing secured by these homeowners after they left CHT. When they had little knowledge of people who had moved away from CHT many years before, a research assistant was assigned the task of tracking down these missing homeowners, using local and out-of-state telephone directories. A number of former CHT homeowners were eventually located and interviewed by phone, supplementing the information provided by present and former staff of CHT.

¹⁷ Nine different CHT employees supervised transfers of owner-occupied housing between 1984 and 2008. Each employee was given a list of resales that occurred during his or her "watch" and asked why these homeowners decided to sell, where they relocated, and what kind of housing they obtained after moving out of their CHT home.

This strategy worked well in generating information about the reasons for the homeowners' departure from CHT. The employees who had supervised CHT's resales answered this survey question easily and fully. There were no missing cases. Answering the question about the sellers' destination after leaving CHT proved more difficult, as did the question about the tenure and quality of the next housing obtained by these former CHT homeowners. There were 10 missing cases for the first; i.e., no destination was given. There were 30 missing cases for the second, where nothing was known about the kind of housing obtained by these homeowners after they left CHT. Nevertheless, because we did get information about the destination and subsequent housing for over 85% of CHT's resales, we decided to report these findings and to use them in evaluating the mobility claims of CHT. The incompleteness of the data, however, and its anecdotal nature compelled us to qualify our conclusions more than we might have liked.

One final note on the study's design. Our analysis of CHT's resales was done not only for the purpose of evaluating the performance of this particular CLT, but also with an eye toward providing other CLTs with a template for evaluating their own performance. We chose methods and statistics, therefore, that are readily available and easily understood by practitioners and policy makers who are working with this model on a daily basis. We kept it simple. We kept it familiar. Every CLT maintains case records that are similar to those of CHT. Every CLT collects the same kinds of information on sales and resales, sellers and buyers. They already have in hand most of what they would need to do the same sort of study we have done for CHT. Our hope is that they will find in the pages that follow a few new ideas for analyzing their data and measuring their success.

TABLE 2: HOUSEHOLDS SERVED

| HOMES Portfolio of owner-occupied housing | TURNOVER # of times each home resold | RESALES Total number of transactions | HOUSEHOLDS That gained access to homeownership |
|--|---|---|---|
| 258 | 0 x | 0 | 258 |
| 105 | 1 x | 105 | 210 |
| 42 | 2 x | 84 | 126 |
| 4 | 3 x | 12 | 16 |
| 1 | 4 x | 4 | 5 |
| 410 Homes | | 205 Resales | 615 Homeowners |



PERFORMANCE IN DELIVERING COMMUNITY BENEFITS

The six claims that are commonly made for the effectiveness of community land trusts served as our yardstick in evaluating the performance of CHT’s portfolio of resale-restricted, owner-occupied housing. Presented first are our findings for the benefits accruing to the *community*, measuring what was delivered by CHT against what was promised with respect to (1) preserving the housing’s affordability, (2) retaining the public’s investment, and (3) enhancing neighborhood stability by protecting local homes against the twin dangers of absentee ownership and mortgage foreclosure. It should be noted that these benefits are not as different in practice as our presentation might suggest. Subsidy retention and neighborhood stability are corollaries of whatever success a CLT has had in preserving affordability. The preservation of affordability is a consequence of whatever success a CLT has had in retaining subsidies that were initially invested in making homeownership affordable. These benefits are intertwined, even though they are treated in the discussion that follows as if they are separate and distinct.

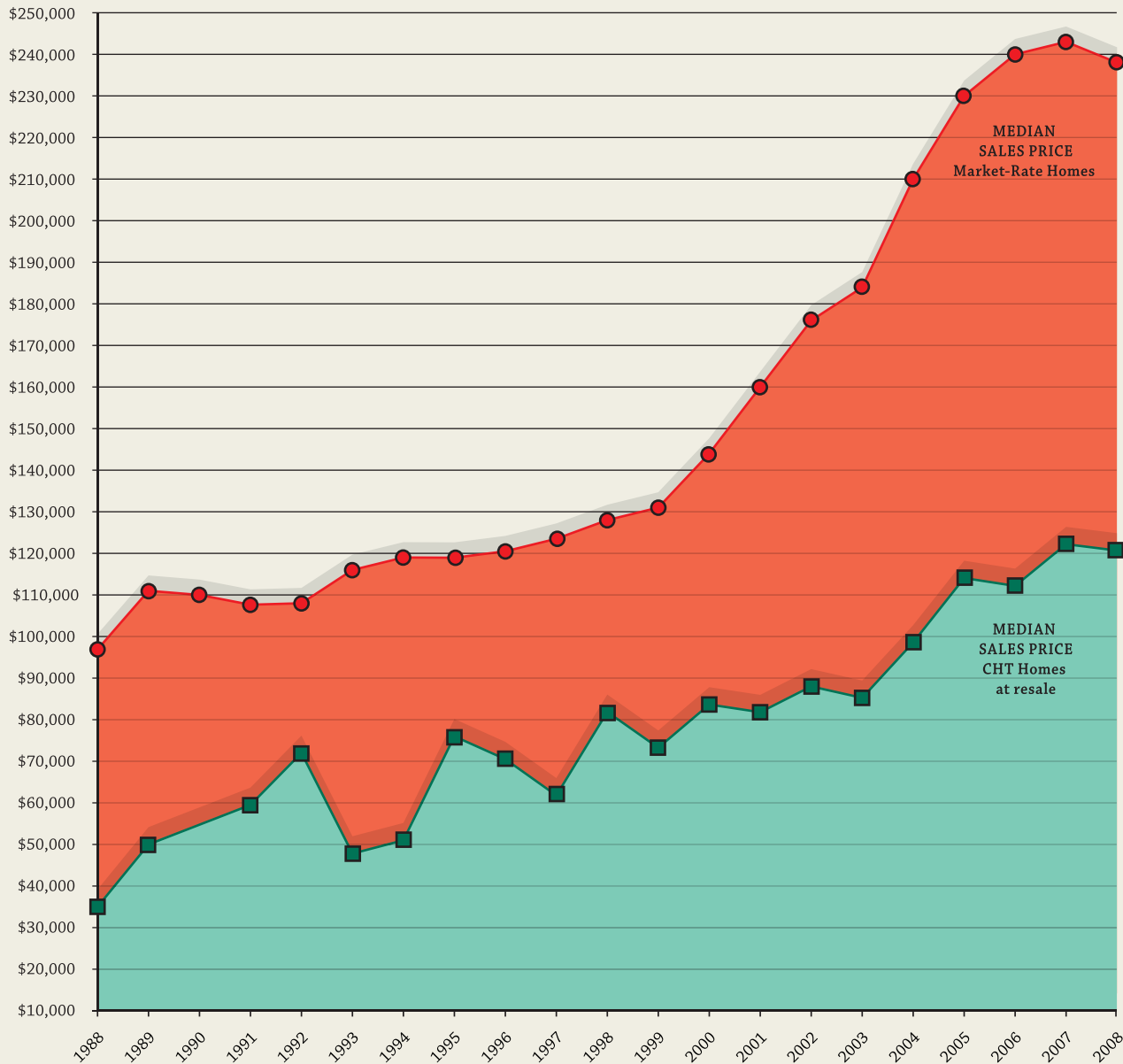
PRESERVING AFFORDABILITY

Community land trusts attempt to preserve the affordability of owner-occupied housing by permanently removing all (or most) of the cost of the underlying land from the purchase price of houses and condominiums and by permanently restricting their resale price when these homes are transferred from one homeowner to another. In cases where a CLT does not own the land beneath a particular condominium project, affordability is perpetuated by preventing removal by the homeowner or recapture by a public agency at resale of the subsidies that have gone into creating affordability and, again, by permanently restricting the price for which these condominiums may be resold. The result, if the model works as promised, is a growing stock of owner-occupied housing that retains the same level of affordability over time, serving households at the same level of income, one resale after another.

Our examination of CHT’s effectiveness in perpetuating the affordability of owner-occupied housing began by charting two trend lines: the median price of houses and condominiums resold through CHT and the median price of all market-rate, single-family houses, condominiums, and mobile homes with land that were sold during the same period and within the same geographic area served by CHT (see Figure 1).

FIGURE 1: MEDIAN PRICE OF MARKET-RATE SALES VS. MEDIAN PRICE OF CHT RESALES

BURLINGTON/SOUTH BURLINGTON MSA, JANUARY 1988 – JUNE 2008



Prices for market-rate homes moved slowly upward until the late 1990s. They then rose steeply for seven straight years. The median price of a market-rate home in the three-county region served by CHT, defined by HUD as the Burlington/South Burlington Metropolitan Statistical Area (MSA),¹⁸ climbed from approximately \$129,000 in 1999 to \$240,000 in 2006. The mortgage meltdown of the past two years has arrested that climb, bringing a small decline in market prices – the first since 1991-92. By comparison, the

¹⁸ In 2006, the Burlington MSA was expanded by HUD to include all three counties in CHT's service area (Chittenden, Franklin, and Grand Isle) and was re-named the Burlington/South Burlington MSA.

trend line for houses and condominiums resold through CHT rose less sharply. There were some dips in the median price of CHT resales during the mid-1990s, caused by a disproportionate number of condominiums being resold during a slump in the condo market, and there was an early climb in prices between 1988 and 1992, an anomalous pattern produced by a tiny number of resales of deeply subsidized homes. These fluctuations aside, the general trend for CHT homes has been a gradual increase in prices, in marked contrast to the soaring spike in the prices of market-rate housing. During the 1999-2006 real estate boom, in particular, when the median sales price of owner-occupied homes in the Burlington/South Burlington MSA increased by 85%, the median price of houses and condominiums reselling through CHT increased by only 35%.

CHT's success in stabilizing prices within its own portfolio of resale-restricted houses and condominiums is commendable, but it does not prove that CHT was successful in maintaining affordability for persons of modest means. CHT's homes remained *more* affordable than comparable housing on the open market, but we must dig deeper into the data to determine whether CHT's model of tenure performed as promised. Did it preserve affordability, one resale after another? To answer that question, we must compare these resale-restricted homes not with market-rate homes, but with themselves; that is, we must compare the affordability of their prices at two points in time: when these shared equity homes were first purchased and when they were later resold. We want to know whether there was a gain or loss in affordability as these homes changed hands from one homeowner to another – what might be called “*relative affordability*.” We also want to know, for any cases where affordability declined between initial purchase and eventual resale, whether these homes still sold for a price that a lower-income household (at 80% of Area Median Income) could afford, while paying no more than 30% of the household's annual income for housing – what might be called “*absolute affordability*.”

Our analysis of relative affordability began by examining the prices paid for the 205 shared equity homes that were resold by CHT between 1988 and 2008. Looking at two points in time, we wanted to know how the prices paid for CHT houses and condominiums on resale compared to their prices at initial purchase. For example, if a CHT home had originally sold for a price that was affordable to a household earning 65% of median income (regardless of whether it was actually bought by a household earning that amount), did it resell for a price that was still affordable to a household earning 65% of median?

To answer that question for CHT's 205 resales, we documented the prices that were paid for all of these shared equity homes at the time of purchase and at the time of resale. We then calculated the income that a hypothetical 4-person household would have needed to earn in order to pay that price, without paying more than 30% of the household's income for principal, interest, taxes, insurance, ground lease fee, and condo association fee (if any). These calculations were based on: the actual interest

*The general trend
for CHT homes
has been a gradual
increase in prices, in
marked contrast to
the soaring spike
in the prices of
market-rate housing.*

TABLE 3: CONTINUING AFFORDABILITY OF CHT HOMES: TIME OF PURCHASE VS. TIME OF RESALE

| | | ACTUAL ANNUAL MORTGAGE RATES** | | | STANDARDIZED MORTGAGE RATE*** | | |
|---|----------------------------|--|--|---|--|--|---|
| | Years home owned by seller | Unit affordability at initial purchase (%AMI*) | Unit affordability at time of resale (%AMI*) | Gain (+) or Loss (-) in affordability between purchase and resale | Unit affordability at initial purchase (%AMI*) | Unit affordability at time of resale (%AMI*) | Gain (+) or Loss (-) in affordability between purchase and resale |
| Condos Average | 4.96 | 56.1% | 54.3% | +3.21% | 58.7% | 59.5% | -1.40% |
| Houses Average | 6.32 | 58.2% | 52.5% | +9.79% | 59.4% | 57.2% | 3.70% |
| Combined Average (condos and houses) | 5.44 | 56.6% | 53.4% | +5.65% | 59.0% | 58.7% | 0.51% |

* Percent of Area Median Income (%AMI) is calculated by dividing a household's income by the median income for the Burlington/South Burlington MSA. The latter is published and periodically updated by HUD. The lower the %AMI, the higher the affordability.

** Affordability calculations based on the actual mortgage interest rates that were in effect at the year of purchase and the year of resale.

*** Affordability calculations based on a standardized mortgage interest rate of 6.5%, the 25-year average (1984-2008) for the lowest-priced mortgage product offered by the Vermont Housing Finance Agency, used by nearly all first-time homebuyers in buying a CHT home. These calculations assume that a 6.5% mortgage was used both in financing the home at initial purchase and in financing the same home on resale.

Our analysis revealed that these shared equity homes not only remained affordable; they became more affordable

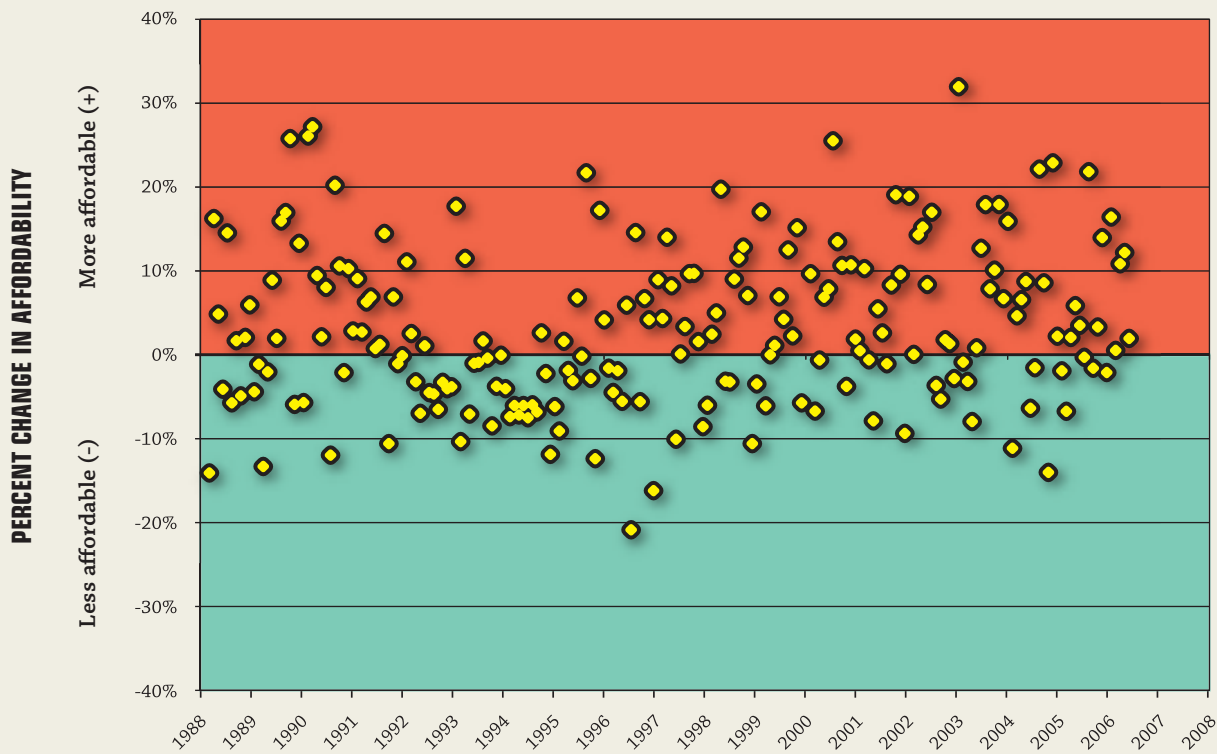
rates for a 30-year mortgage, current for the year in which CHT home was initially purchased and for the year in which the same home was resold;¹⁹ the actual ground lease fees or condo association fees that were being charged at the time; and estimates of taxes and insurance, adjusted for the years in which the home was initially purchased and eventually resold. Our analysis revealed that these shared equity homes not only remained affordable; they became more affordable (see Table 3). On average, there was an affordability gain of 5.65% between the time a CHT home was purchased and the time it was resold. This gain was much greater for CHT's shared equity *houses* (9.79%), when examined separately, and slightly smaller for CHT's shared equity *condominiums* (3.21%).

We did one other test of relative affordability. We wanted to determine whether CHT's apparent success in preserving the affordability of its owner-occupied homes was the product of CHT's innovative model of tenure or the fortunate accident of a favorable trend in mortgage interest rates. Most of CHT's 205 resales occurred during a period when interest rates were falling. This meant, in many cases, that the homeowner who bought a CHT home at resale was able to obtain a mortgage at a lower rate of interest than CHT homeowner who was selling that home had been able to get. Perhaps the increased affordability of the average CHT home, between time of purchase and time of resale, was due mostly to a drop in mortgage interest rates.

19 The year-by-year mortgage rates used in our affordability calculations are based on a special stepped mortgage product offered to CHT homebuyers by the Vermont Housing Finance Agency (VHFA), a product known as "HOUSE." Approximately 90% of CHT's homebuyers have, in fact, used this VHFA program. To ensure consistency in comparing the affordability of one CHT resale to another, we have used VHFA mortgage rates in all of our calculations.

We tested this alternative hypothesis by calculating an average mortgage interest rate for the 25-year period from 1984 to 2008. We then used this standardized rate to re-analyze the affordability of every resale. We found that affordability gains were, in fact, reduced when the effect of falling interest rates was removed. CHT's houses still became more affordable on resale, with a 3.7% gain. CHT's condominiums became slightly less affordable, declining by 1.4%. Averaged across all 205 resales, however, the portfolio performed precisely as CHT promised it would. Affordability remained essentially the same (with a negligible 0.5% gain) between initial purchase and eventual resale, when the sellers and buyers of CHT homes were assumed to have both used mortgages having the same rate of interest.

FIGURE 2: CHANGE IN AFFORDABILITY OF CHT HOMES BETWEEN TIME OF PURCHASE AND TIME OF RESALE (ACTUAL MORTGAGE RATE), 1984-2008 ALL HOMES



Averages do not tell the whole story, however, for they fail to reveal variations and outliers. A scatter plot of CHT's resales does a better job of capturing the complexity of these 205 transactions. Instead of averaging the change in affordability across all CHT resales, Figure 2 provides an individualized snapshot of every resale, plotting the percentage by which the price of every house or condominium became more affordable or less affordable when transferred from one homeowner to another. Affordability *increased* in 115 of these resales, *decreased* in 81 of them, and stayed roughly the *same* in nine; that is, the price stayed affordable for a household at the

TABLE 4: **RELATIVE AFFORDABILITY: PRICE AT PURCHASE VS. PRICE UPON RESALE**

| | PRICE OF HOMES GAINED AFFORDABILITY | PRICE OF HOMES LOST AFFORDABILITY | PRICE REMAINED EQUALLY AFFORDABLE* | TOTAL |
|--------------|-------------------------------------|-----------------------------------|------------------------------------|------------|
| Condominiums | 67 | 60 | 6 | 133 |
| Houses | 48 | 21 | 3 | 72 |
| TOTAL | 115 | 81 | 9 | 205 |

* If the gain or loss was less than half-a-percent, the price was deemed to have remained “equally affordable.”

same level of income as the first time around.²⁰ Sixty percent (60%) of the time, in other words, as the affordability gap for market-rate homes was widening, CHT was able to maintain the affordability of its growing portfolio of resale-restricted, owner-occupied housing as these homes changed hands one or more times.

But what about the other forty percent, those 81 shared equity homes that

became somewhat less affordable at resale? We took pains to look more closely at these particular outliers because they seemed to challenge one of CHT’s principal claims for the effectiveness of its model of homeownership. We wanted to know why the affordability of these homes had declined and, more importantly, whether this decline had rendered them *unaffordable* for the targeted class of lower-income households that CHT had promised to serve. To put the question a different way: did a decrease in the *relative* affordability of these 81 homes compromise their *absolute* affordability, so that a household at 80% could *not* afford to purchase them?

Starting with the question of “why,” part of the decline in relative affordability may be attributed to a change in policy that went into effect in 2002. That year, CHT began adding a “transfer fee” to the resale price of a house or condominium whenever such an addition would not cause the home to become unaffordable for a prospective homebuyer earning less than 80% of AMI. The majority of these revenues were used to cover CHT’s direct cost of managing the resales. The rest were deposited into a “stewardship fund,” used as a pooled replacement reserve for CHT’s owner-occupied homes. In some cases, these transfer fees added as much as 6% to the resale price of a CHT home. It is significant, too, that nearly three-quarters of the 81 homes where affordability declined were condominiums. CHT’s condos are newer than most of CHT’s houses and are more likely to be located in neighborhoods with higher rates of appreciation. Since CHT’s resale formula pays departing homeowners a percentage of a property’s appreciated value, any shared equity homes with a higher rate of appreciation are going to have higher resale prices.

These explanations help us to understand why affordability declined among some of CHT’s resales, but not its significance. How damaging is this decline to CHT’s claim of continuing affordability? Not much, as it turns out. Most of these 81 homes – 68

²⁰ If the gain or loss of affordability was calculated to be less than half-a-percent, the price was deemed to have remained “equally affordable.”

of them to be precise – had less than a ten percent decline in affordability. Only 13 of these homes had more than a ten percent loss of affordability. The rest resold for prices only slightly less affordable than the prices for which they were originally purchased. The reduction in relative affordability was minimal. More importantly, there was no loss in what we previously called “absolute affordability.” Of the 81 homes that resold for a price somewhat less affordable than the price for which they were initially sold, only a single condominium resold for a price that was *not* within the financial reach of a lower-income household earning less than 80% of median income. And that one didn’t miss by much, since a household earning 80.3% of AMI *could* have afforded this condo’s resale price.

In sum, during a period when the prices for market-rate homes were moving steeply upward, CHT was effective in stabilizing the prices of its own stock of resale-restricted, owner-occupied housing, ensuring that the same class of people who had initially bought these homes could still afford them when they were eventually resold. Between 1988 and 2008, the Champlain Housing Trust delivered on its promise of preserving affordability, one resale after another.

RETAINING COMMUNITY WEALTH

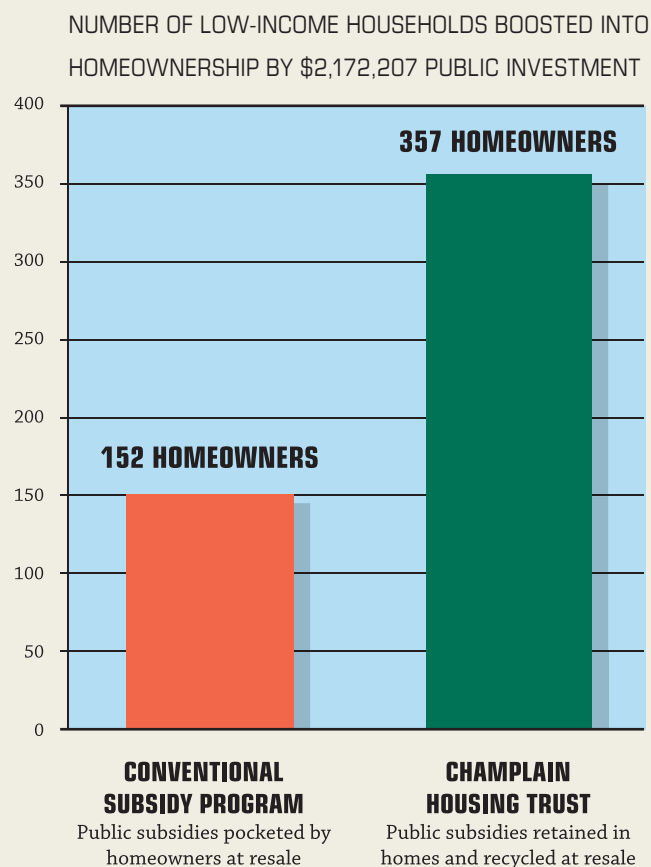
The Champlain Housing Trust, like every other CLT, claims that shared equity homeownership is effective in retaining any public subsidies (or private donations) that go into making their homes affordable in the first place. These subsidies are typically used by CLTs to buy the underlying land, removing a large cost component from the price of purchasing a home. CLTs operating in high-priced housing markets and CLTs developing limited-equity condominiums that are not on leased land put their subsidies not only into acquiring the land, but also into constructing or rehabilitating the housing itself. Because a CLT’s land is almost never resold and because the resale price of every house and condominium is capped, subsidies are not removed and pocketed by homeowners who later leave the CLT. Nor are they recaptured and re-loaned by a public agency, a common practice outside of Vermont, one that typically results in a steady erosion in the value of the public’s investment in places where housing is appreciating in price. In these markets, recaptured subsidies buy less and less over time. In the CLT, by contrast, these subsidies are retained in the housing, reducing its price for the next lower-income homebuyer. They are neither lost nor diminished during resale. The public’s investment in affordable housing is preserved.

TABLE 5: **PERCENT CHANGE IN AFFORDABILITY FOR SHARED EQUITY HOMES WHERE RELATIVE AFFORDABILITY DECLINED**

| | LOSS OF AFFORDABILITY LESS THAN 5% | LOSS OF AFFORDABILITY 5% - 10% | LOSS OF AFFORDABILITY MORE THAN 10% | TOTAL |
|--------------|------------------------------------|--------------------------------|-------------------------------------|-----------|
| Condominiums | 26 | 23 | 11 | 60 |
| Houses | 12 | 7 | 2 | 21 |
| TOTAL | 38 | 30 | 13 | 81 |

Between 1988 and 2008, the Champlain Housing Trust delivered on its promise of preserving affordability, one resale after another.

FIGURE 3: **SUBSIDY REMOVAL VS. SUBSIDY RETENTION**



It is also leveraged. Because subsidies are not removed at resale, multiple households (at similar levels of income) are successively served in the same subsidized home, as it changes hands again and again. When public dollars are invested in the shared equity homes of a CLT, more people are assisted and less money is needed.

To test these claims for CHT’s portfolio of resale-restricted, owner-occupied housing, we computed the total of all governmental subsidies committed to every house or condominium resold at least once between 1988 and 2008. These subsidies included grants from the Vermont Housing and Conservation Board (VHCB), grants from the Vermont Community Development Program, grants from the City of Burlington, and price concessions extracted from private developers through municipal mandates like inclusionary zoning. These publicly provided or publicly mandated subsidies allowed CHT to reduce the initial purchase price of its homes by an average of \$14,291 per unit.²¹ Additional subsidies, averaging \$7,205 per unit, were contributed by CHT, further reducing the price of a house or condominium on initial sale to a lower-income homebuyer.

We then compared the value of these subsidies at two points in time: when a house or condominium was initially purchased, and when that same home was eventually resold. Examining CHT’s 205 resales, we asked three questions:

- Were there cases where the public’s investment was *lost*?
- Were there cases where the public’s investment was *eroded*?
- If the answer was yes, on either count, were there cases where the loss or erosion of these subsidies forced CHT to invest *more* public money to preserve the affordability these subsidies were supposed to buy?

²¹ We knew, of course, that other public grants and private donations had helped to support the operations of CHT since 1984, making the community’s total investment more than the amount invested and retained in individual housing units. The only subsidies we could compute with accuracy, however, and assign with specificity to the owner-occupied portion of CHT’s portfolio were those with a direct impact on lowering the price that was actually paid for a particular property by a particular homebuyer. It should be noted, too, that CHT added subsidies at the time of resale to 41 houses and condominiums. Most of these subsidies were secured from public sources. Our analysis of affordability assumed that these later subsidies never happened. We wanted to measure the model’s operational effectiveness in preserving affordability, not CHT’s political effectiveness in wrangling additional grants from public funders when homes resold. We removed the favorable effect of these later subsidies, therefore, in calculating and comparing affordability at the time of initial purchase and at the time of later resale. We counted these subsidies, on the other hand, in computing the total public investment that was put into these homes and in evaluating CHT’s effectiveness in retaining these public subsidies.

There were two cases where the public subsidy was lost in its entirety. Both were condominiums. Both were foreclosures. In neither case was the housing removed from CHT’s portfolio. CHT re-acquired the condominiums, rehabilitated them using additional subsidies provided by VHCB, and resold them to other low-income homebuyers. There were 23 cases where the subsidy invested in a house or condominium had a value at the time of resale that was lower than its value had been when the home was initially purchased, meaning there had been some erosion in the community’s original investment. This happened not because homeowners pocketed a portion of the subsidy, but because the homes themselves (in 17 cases) had not held their value between purchase and resale. The spread between their purchase price and their appraised value had narrowed.²² Even so, the impact on affordability was minimal. Only in *one* case was there both a decline in the value of a home’s subsidy and a decline in the level of a home’s affordability. Only in *eight* cases, counting the two foreclosures mentioned previously, were additional subsidies put into homes for which the value of the original subsidy had declined. Ninety-six percent (96%) of the time, therefore, when a CHT home changed hands, enough of the community’s original investment remained in the home so as not to require an additional infusion of the community’s scarce resources to preserve that home’s affordability. Subsidy retention, for most of the owner-occupied housing resold through CHT between 1988 and 2008, was a reality.

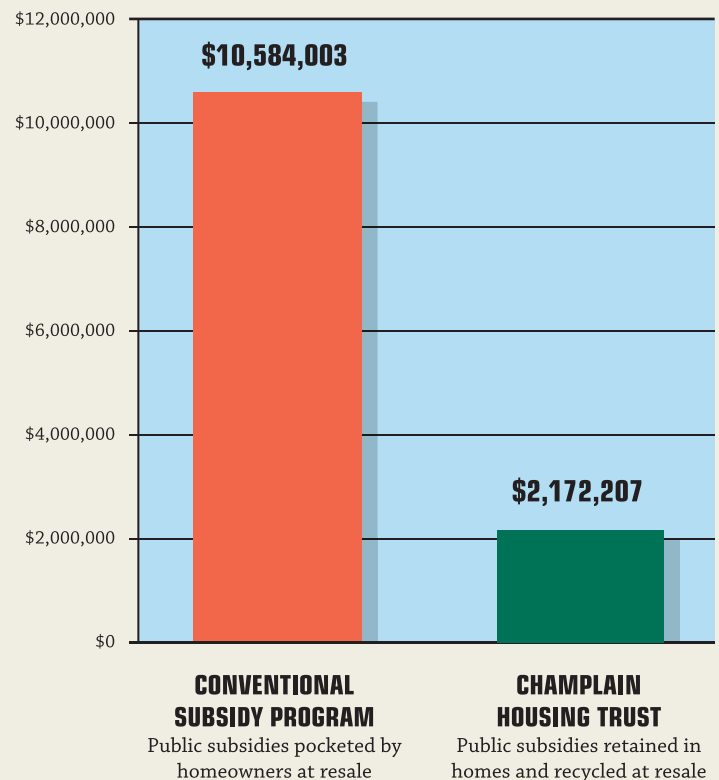
The practical result of CHT’s success in locking these subsidies in place was to allow the same 152 homes to be resold 205 times without losing either the public’s investment or the homes’ affordability. CHT was able to boost 357 low-income households into the ranks of homeownership at a total cost to government of \$2,172,207 – an average public subsidy of only \$6,085 per household.

By retaining these subsidies in resale-restricted housing, CHT was able to leverage them to greater effect than if these subsidies had been invested, instead, in the kind of market-rate housing that governmental agencies have traditionally preferred when subsidizing homeownership for lower-income households. We reached this

²² The spread between the purchase price and appraised value decreased for a variety of reasons. For most of these homes, the spread narrowed simply because the houses or condominiums were offered for resale during a time when their market values were depressed. For others, the difference between their purchase price and their appraised value narrowed because the spread itself had been artificially inflated at the time of purchase by optimistic appraisals or, in seven unusual cases, because first-time homeowners had done an inadequate job of maintaining their homes.

FIGURE 4: SUBSIDY REMOVAL VS. SUBSIDY RETENTION

PUBLIC INVESTMENT REQUIRED TO BOOST 357 HOUSEHOLDS INTO HOMEOWNERSHIP



Without CHT, these public agencies would have been forced to make a difficult choice: serve far fewer households or spend five times more money.

conclusion by calculating what would have happened without CHT.²³ What if these public subsidies had been **removed** at resale, along with all of the equity that CHT had brought to the deal? Instead of subsidy retention, in other words, what if the more conventional model of subsidy removal had been used, where assisted homeowners are allowed to pocket both the front-end subsidies and the back-end capital gains when reselling their homes at full market value?

A clear and unequivocal answer is provided by the data from CHT's resales: subsidy removal would have resulted in **fewer households** being boosted into homeownership or **more dollars** being needed from public coffers to serve the same number of low-income households as CHT had served using subsidy retention (see Figures 3 & 4). The same public investment of \$2,172,207 that was used by the Champlain Housing Trust to boost 357 low-income households into homeownership, under CHT's model of subsidy retention, would have created only 152 new homeowners under subsidy removal. The only way that a program of subsidy removal could have created the same number of newly minted homeowners as CHT, assisting people at the same level of income (68% of AMI), would have been for public agencies to increase their investment to \$10,584,003 – an average subsidy of \$29,647 per household.

Subsidy retention proved to be approximately two-and-a-half times **more effective** than subsidy removal, when measured by the number of households that CHT was able to assist, and five times **less expensive** than subsidy removal, when measured by the number of dollars that the Vermont Housing and Conservation Board, the City of Burlington, or another public agency would have had to invest to serve the same low-income households in the same homes as those served by CHT. A simpler way of saying the same thing is that, without CHT, these public agencies would have been forced to make a difficult choice: serve far fewer households or spend five times more money. They were spared that choice because CHT did what it promised to do. It preserved and leveraged the public's investment in affordable homeownership, retaining community wealth.

23 Our estimate of the public investment required under a program of "subsidy removal" is based on the following assumptions: (1) CHT's own financial contribution toward reducing the purchase price of 152 homes at initial sale does not occur; (2) contractual controls over the resale price of these homes do not exist; (3) all subsidies are pocketed by the owners of these homes when they are resold; and (4) enough public dollars are invested to make these homes initially affordable to 152 households earning 68% of AMI and to make these same homes continually affordable to another 205 households earning the same income when these homes resell for a market price that is equal to their appraised value. Our calculations are based upon the **actual cost** of bringing 152 houses and condominiums into the financial reach of households at 68% of AMI and the **actual increase** in the unrestricted market value of those homes as they changed hands 205 times between 1988 and 2008. We arrived at our \$10,584,003 estimate by the following route:

- Using public dollars to replace CHT's contribution of \$1,095,259, when added to the \$2,172,207 in public subsidies contributed by the City of Burlington and VHCB, yields an average subsidy of \$21,496.49 for each of the first 152 households who are boosted into homeownership. Total public investment: \$3,267,466.
- Boosting the next 205 households into homeownership requires another \$21,496.49 for each of these households, since the original subsidy is pocketed by the first homeowners and removed from the homes at resale. Total public investment: \$4,406,780.
- Appreciation in the market value of these resold homes adds \$2,909,757 to the "affordability gap" between their appraised value and the price a low-income homebuyer at 68% of AMI can afford to pay, requiring an additional public subsidy of \$14,194 per household. Total public investment: \$2,909,757.

ENHANCING RESIDENTIAL STABILITY

CHT, along with every other community land trust, makes the claim that the model is effective in stabilizing residential neighborhoods by protecting that portion of a neighborhood's residential property that is owner-occupied. If the model works as promised, any land and housing incorporated into a CLT's portfolio should never be lost to foreclosure or absentee ownership. Any homeownership gains achieved because of a CLT should be permanent.

The proponents of CLTs are hardly alone in suggesting that residential neighborhoods with a higher percentage of owner-occupied housing may have more stability than neighborhoods where the housing stock is mostly renter-occupied, especially if much of it is owned by absentee landlords. Among policy makers, municipal officials, private citizens, and academics, there is a widespread belief that homeownership confers multiple benefits on a neighborhood: reducing the turnover of its residential property, encouraging upkeep, stabilizing property values, increasing participation in community organizations, and improving social conditions like high school dropout rates and crime rates. Nationally, the evidence for some of these suppositions is strong; for others, the evidence is weak or mixed.²⁴ Either way, this is not a debate we had the data to join. We did not attempt to address the question of whether a higher rate of homeownership might actually enhance neighborhood health. Furthermore, because CHT operates throughout Chittenden, Franklin, and Grand Isle Counties, scattering its resale-restricted, owner-occupied units across dozens of neighborhoods, we did not attempt to measure whether the overall homeownership rate had actually increased in a particular neighborhood as a consequence of CHT's efforts. We considered only whether CHT was effective in stabilizing its homeownership gains, ensuring the continuity of its own stewardship over land and housing while preventing the loss of owner-occupancy in the face of various challenges.

In market housing, owner-occupancy is most commonly lost in three different ways: (1) the property is resold by the homeowner to an absentee owner, who either operates the property as rental housing or converts it to a nonresidential use; (2) the property is sublet by the homeowner to a succession of renters under short-term (or long-term) leases; or (3) the property is seized through foreclosure.²⁵

CLTs are committed to making such losses a rarity. The model's proponents point to four lines of defense, embodied in the model itself, that combine to ensure that land and buildings which are owner-occupied today will remain owner-occupied tomorrow.

²⁴ See Rohe, Van Zandt, and McCarthy, "Social Benefits and Costs of Homeownership," in Nicolas P. Retsinas and Eric S. Belsky (eds.), *Low-income Homeownership: Examining the Unexamined Goal*, Washington, DC: Brookings Institution Press, 2002.

²⁵ Three other events that can cause the loss of owner-occupancy are not mentioned here, because they are less common: eminent domain, demolition, and bankruptcy. There are protections in CHT's ground lease against all three possibilities. These protections are designed to safeguard CHT's interests and to prevent the loss of owner-occupancy. So far, none of these threats to owner-occupancy have materialized in the case of CHT.

Because the CLT is vested, the CLT is vigilant, a watchfulness extends to the preservation of owner-occupancy.

RESALE CONTROLS. A homeowner cannot sell directly. All resales are supervised by the CLT, ensuring not only that homes change hands at the formula-driven price, but that homes are resold to other income-eligible households who will occupy these homes as their primary residence.

OCCUPANCY CONTROLS. A homeowner cannot sublet freely. All owners of CLT homes must occupy the premises for at least six months of every year and may not sublease the premises without the prior written approval of the CLT.²⁶

FORECLOSURE CONTROLS. A lender cannot act unilaterally. Mortgagees must notify the CLT in cases of delinquency or default and must grant the CLT an opportunity to cure. Should preventive intervention prove insufficient, leaving the lender with no choice but to proceed to foreclosure, the CLT still has the first right to repurchase the home from the lender.

LAND OWNERSHIP. The CLT cannot easily sell the land that it owns, nor can it disregard entirely what is happening to the buildings thereon. Its bylaws require approval of two-thirds of the board and three-quarters of the membership for the CLT to sell any parcel of land. In all but a few cases, its ownership of land is permanent. So is its stewardship of the buildings. Its leases and covenants make the CLT both monitor and regulator for provisions controlling the occupancy, subletting, use, and improvement of every building located on its land. The CLT is also the once and future owner of these buildings, with a preemptive right to repurchase every one that goes up for sale. The CLT has an abiding interest in these buildings, therefore, and an unavoidable obligation to enforce its own covenants and controls. Because the CLT is vested, the CLT is vigilant, a watchfulness extends to the preservation of owner-occupancy.

All four of these features are present in the model of shared equity homeownership used by CHT. What we wanted to know was how well they worked. Did they ensure that, whenever owner-occupied units were developed, sold, and resold by CHT, these units *remained* in CHT's portfolio, retaining their character as resale-restricted, owner-occupied housing?

Examining the entire stock of owner-occupied houses and condominiums developed by CHT between 1984 and 2008, we found that 96.7% (410 out of 424) of these homes remained under CHT's control. CHT continued to regulate their affordability. They continued to be occupied by homeowners. Only fourteen (14)

²⁶ Section 4.4 of CHT's single-family ground lease reads: "Except as provided in Section 4.5 below, Lessee shall occupy the Leased Premises for at least six (6) months of each year or this Ground Lease Agreement shall terminate. Occupancy by Lessee's children or other family members or dependents shall be deemed occupancy by Lessee." Section 4.5 reads: "Lessee may enter into a sublease of the Leased Premises for a period not to exceed six (6) months in any one year period. Lessee may not sublet the Leased Premises for more than six (6) months without prior written approval of the Lessor."

condominiums had been released to the market, removed from CHT’s portfolio of resale-restricted, owner-occupied housing. CHT no longer regulated their occupancy, no longer retained a preemptive option to repurchase them for an “affordable,” formula-determined price, and no longer mandated income-eligibility in their future buyers.

Although a “release rate” of 3.3% is miniscule, CHT had committed itself to the *permanent* ownership of land, the *perpetual* affordability of any housing located on its land, and the *continued* owner-occupancy of any housing dedicated to homeownership. The conversion to market ownership of even a few CHT homes is a departure from the organization’s mission and a challenge to its claim of stability. Every case where the model seems *not* to have delivered on its promises warrants a closer look.

Why did CHT allow controls over these fourteen homes to lapse? And what happened to them after they were released to the market? Ten of these “lost” condominiums were one-bedroom units in a single, three-story building on Burlington’s waterfront that had been converted from industrial use by a private developer and then sold to the land trust at a favorable price. These condominiums had spectacular views of Lake Champlain, but this was their only amenity. They were small, narrow, noisy, and dark – five “railroad car” units arrayed side-by-side on one floor, with five identical side-by-side units situated directly overhead. They proved very difficult to market, especially on resale. A weak preemptive option (modified and strengthened for later condo projects) gave CHT only 90 days to repurchase these waterfront condominiums.²⁷ If CHT did not exercise its option, homeowners were free to sell their units for whatever the market would bear. Homeowners had an enormous incentive, therefore, not to cooperate with CHT in seeing their units pass into the hands of another low-income buyer. The combination of a weak option, unattractive units, uninterested buyers, and obstructionist sellers finally convinced CHT to allow its occupancy, use, and affordability controls over these units to lapse. They were put on the market in 1998, selling for prices that few households below 80% of AMI could afford. By 2002, two of the ten condominiums were being rented out by absentee owners. The others remained owner-occupied. CHT retained ownership of the underlying land and continued to collect fees for its use.

27 The affordability covenant that is now used gives CHT 180 days to re-purchase its price-restricted condominiums at the formula-determined price. If CHT does not exercise its option, the condo owner may sell to whomever she wishes for whatever price she can get, but must re-pay to CHT 100% of any subsidy that went into lowering the original purchase price and 50% of any appreciation in the condominium’s appraised value occurring between time of purchase and time of resale. The covenant in place since 2006 does not specifically address this scenario, meaning that CHT and the homeowner need to negotiate a resolution if the condo cannot be resold within a reasonable time-frame.

Two other condominiums were removed from CHT's portfolio simply because CHT could not find a low-income buyer for either of them. One, a two-bedroom condominium in a rural community, came up for resale in 1996, a time when the county's condominium market was quite depressed. After trying unsuccessfully for nearly a year to find an eligible buyer, CHT removed its controls and allowed the homeowner to sell on the open market. Another owner-occupant eventually purchased the unit and CHT was repaid the subsidy that had gone into lowering the unit's original purchase price. The same scenario played out for the second condominium, a one-bedroom unit located in a dense, poorly designed complex that had come into CHT's portfolio as the result of an agreement between the project's for-profit developer and the City of Burlington, reached during the permitting process. After six months of failing to find a low-income buyer, CHT removed its controls over the unit and recovered its subsidy when the condominium was eventually sold to another owner-occupant.

Two additional condominiums were removed from CHT's portfolio of resale-restricted housing in 2007 and 2008. Both units were located in very small, self-managed condominium associations with serious deferred maintenance on shared structural components. A decision was made to release both to the market. They were purchased by homeowners. The original subsidies were recaptured by CHT and reinvested in other shared equity homes.

Looking closely at the units removed from CHT's domain of price-restricted housing, therefore, we discovered several patterns. Although 14 condominiums were lost to the market, no public subsidies were lost. They were either returned to the state agency that had granted them or recaptured by CHT for reinvestment in other homes. Nor was any land lost from CHT's portfolio, since CHT retained ownership of the land beneath the waterfront condominiums and had never owned land beneath the four other condominiums. There was a modest loss, however, in the level of owner-occupancy. Two condominiums were converted into rentals.

This loss of fourteen units to the marketplace – and the loss of two homeowner units to tenancy – proved to be exceptions to the rule. The rest of the 410 units of owner-occupied housing developed by CHT between 1984 and 2008 remained under CHT's stewardship – and remained owner-occupied. The protections put in place by CHT to prevent the loss of property from its own portfolio and the loss of owner-occupancy had worked well. CHT homes were regularly resold, but CHT ensured their transfer from one homeowner to another. CHT homes were occasionally sublet, but CHT ensured their return to owner-occupancy within a short period of time. CHT homeowners occasionally defaulted on their financial obligations to third-party lenders, but CHT inter-

vened to prevent most of these defaults from proceeding to foreclosure.²⁸ Nine CHT homes eventually did change hands because of foreclosure (or the transfer of a deed in lieu of foreclosure), but in all nine of these cases CHT re-acquired title. Eight of these properties remain in CHT's portfolio. One unit was later released from the portfolio, but only after CHT had re-acquired the home out of foreclosure.

Owner-occupied housing developed by CHT, in short, has rarely disappeared from CHT's domain – or from the realm of owner-occupancy. It is too soon to conclude that these homeownership gains are “permanent” because only twenty years have passed since the first re-sale of a single-family house by CHT. Throughout that period, however, CHT has achieved a high rate of success in ensuring the continuity of land ownership and the continuity of homeownership for property brought into its portfolio. Nearly 97% percent of the time, CHT has delivered on its promise of residential stability.²⁹

*Nearly 97% percent
of the time, CHT
has delivered on
its promise of
residential stability.*

28 CHT intervenes in default situations of its shared equity homeowners about 8-10 times per year, an estimate provided by the manager of CHT's Shared Equity Program. The number of interventions has *not* grown appreciably since the beginning of the nation's sub-prime mortgage crisis in 2006. When becoming aware that a homeowner is in trouble, CHT immediately suspends collection of its own lease fees and begins working with the homeowner. CHT may help the homeowner to pay property taxes and may work directly with the mortgagee (typically the Vermont Housing Finance Agency) to restructure the loan.

29 We have focused on a single dimension of stability – i.e., the continuity of tenure for land and housing under CHT's stewardship. Another dimension should be mentioned, even though it is outside the scope of the present study, namely the financial stability of that subset of CHT's administrative and operational capacity that is dedicated to stewardship. CHT's entire stock of resale-restricted, owner-occupied homes had become large enough by about 1998 to generate a majority of the revenues needed, on an annual basis, to cover CHT's costs of managing this portfolio, including: monitoring the leases, preventing foreclosures, and supervising re-sales. These revenues came primarily from lease fees, paid monthly by homeowners living on CHT's land, and from transfer fees included in the price paid by homebuyers on the resale of a CHT home. (CHT collected the latter fee only when the spread between a home's appraised value and formula-determined resale price was large enough so that adding this fee to the purchase price of a resold home did not compromise the home's affordability for another low-income homebuyer.) During the past ten years (1998-2008), CHT's stewardship costs have been covered mostly by revenues generated by the homes being stewarded, supplemented at times by development fees from the construction and sale of new owner-occupied housing.



PERFORMANCE IN DELIVERING INDIVIDUAL BENEFITS

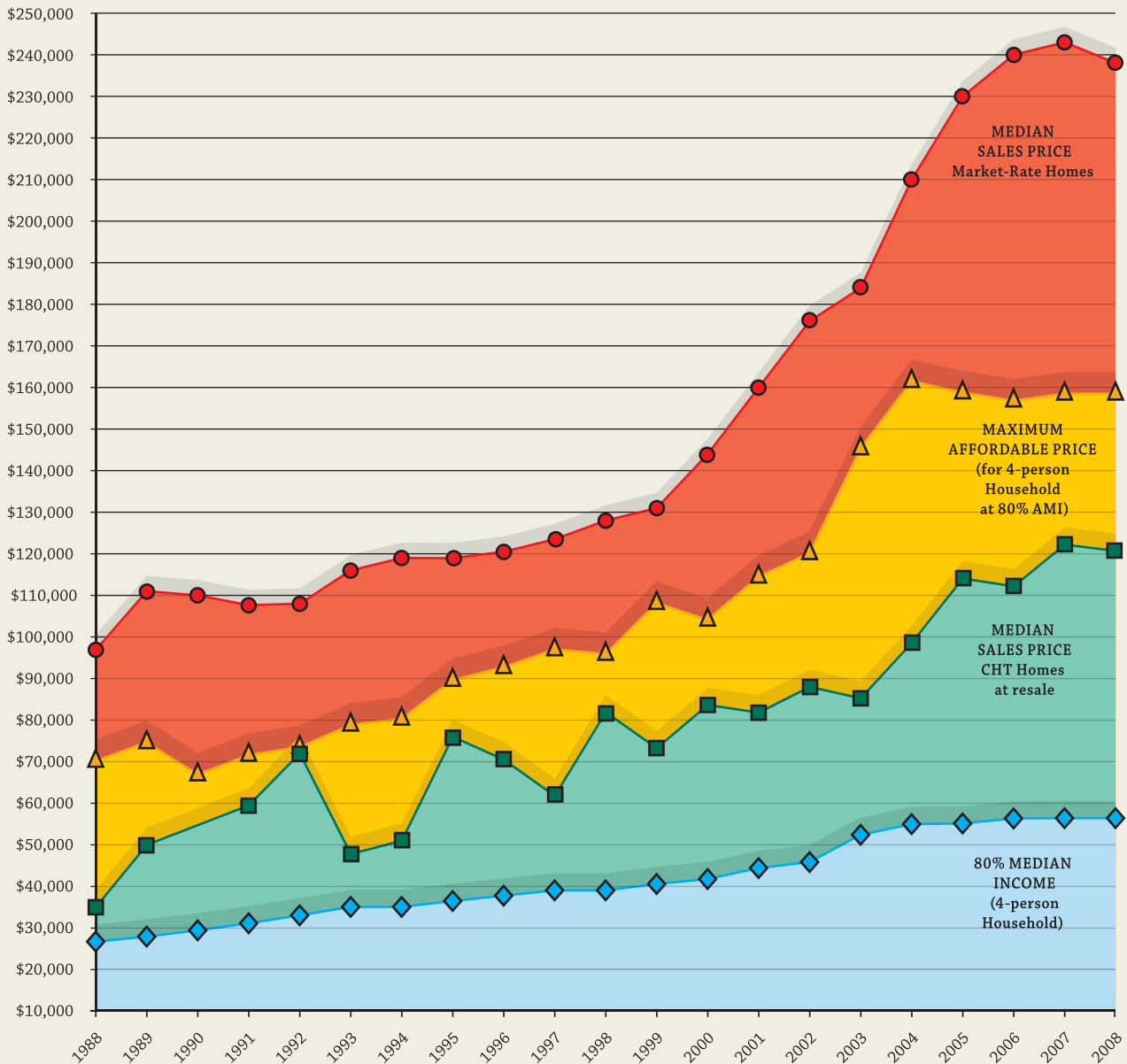
Balanced against the benefits that a CLT claims to deliver to its community – or to society as a whole – are another set of other benefits that accrue primarily to the individuals who buy, own, occupy, and sometimes resell the CLT’s shared equity homes. The performance of the portfolio of resale-restricted, owner-occupied housing managed by the Champlain Housing Trust must also be evaluated, therefore, by what was promised and delivered by CHT with respect to: (1) expanding access to homeownership for persons without the means to purchase a market-priced home; (2) augmenting the personal wealth of these new homeowners; and (3) enabling mobility when these homeowners decide to resell their shared equity homes. It should be noted that these individual benefits, like those that accrue to community, are intertwined. No wealth can be earned from owning and reselling a shared equity home unless a household has gained access to homeownership in the first place. Similarly, mobility is either aided or hindered by the amount of wealth that is earned. These benefits are less distinct, therefore, than the following discussion may suggest.

EXPANDING HOMEOWNERSHIP

All community land trusts are committed to bringing homeownership within the reach of persons who are priced out of the conventional market. On initial sale, the purchase price of a house or condominium is reduced because public subsidies, public powers, or private contributions have enabled the CLT to offer that home for a price that is lower than its market value. On resale, the purchase price of the same home is reduced not only because these subsidies are retained in the property, but also because the CLT has reacquired the home at a below-market price and passed along this reduction in the price charged to the next homebuyer. If the model works as promised, a CLT should be able to sell its homes, both initially and continuously, to households who could not otherwise have gained access to homeownership.

In the Burlington/South Burlington MSA, access to market-rate homes for households earning less than 80% of Area Median Income (AMI), CHT’s target population, remained elusive during the entire period of 1984 - 2008, even in the mid-1990s when the median price of market-rate homes briefly dipped and even during the past year as market prices have slightly slipped (see Figure 5). After 1996, housing prices began a steep climb, with household income lagging far behind. Fortunately,

FIGURE 5: MAXIMUM AFFORDABLE PRICE FOR CHT'S TARGET POPULATION (80% OF AREA MEDIAN INCOME) BURLINGTON/SOUTH BURLINGTON MSA, JANUARY 1988 - JUNE 2008



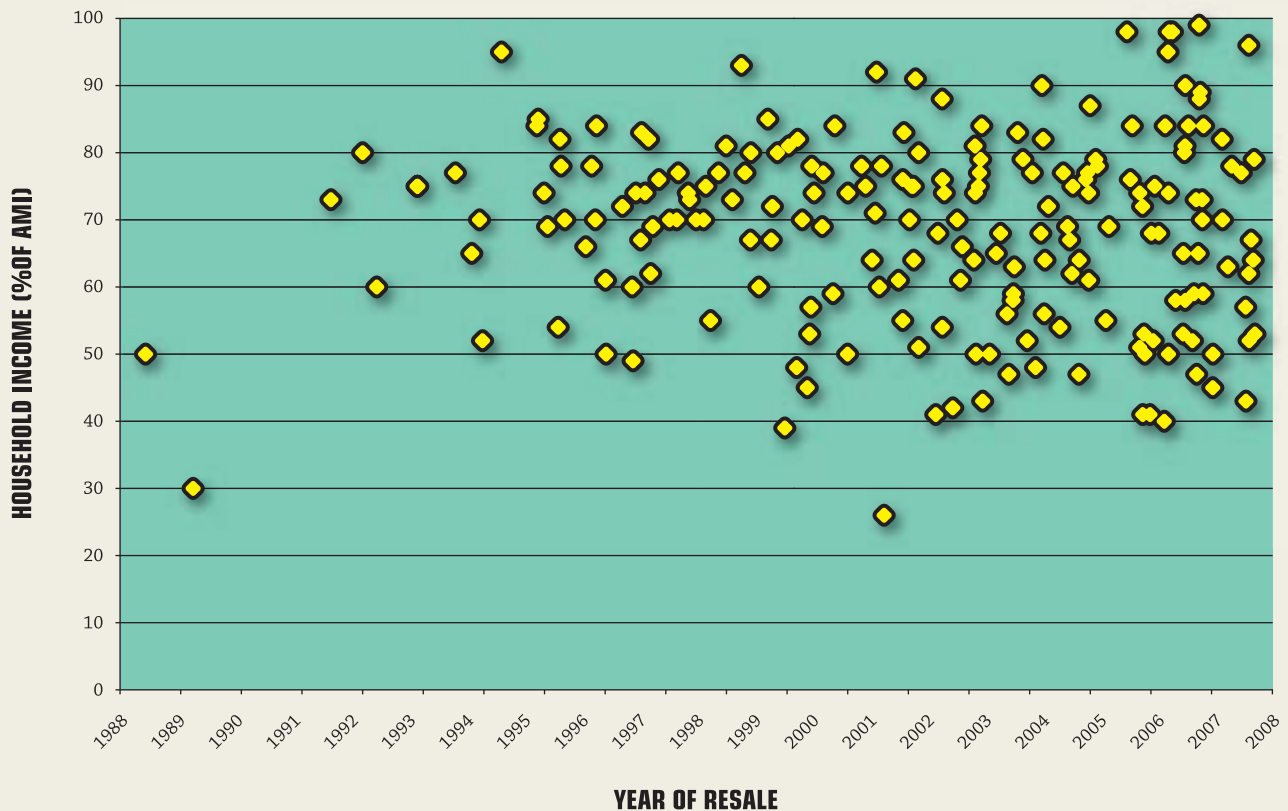
mortgage interest rates were falling during this same period, so the affordability gap widened less dramatically than would have happened otherwise. The availability of less expensive mortgages kept the prospect of homeownership from completely vanishing over the horizon, but there were still few homes brought to market that households below 80% of AMI could afford. After 2006, as the general economy soured, as the real estate market cooled, and as mortgage standards tightened, the median price of market-rate homes in the Burlington/South Burlington MSA leveled off. The affordability gap was no longer expanding – but neither was it shrinking. Lower-income households could still not purchase a median-priced home.

CHT succeeded where the market could not. Although CHT is permitted by its public funders to serve households earning up to 100% of AMI, most of the households that CHT has boosted into homeownership have earned considerably less. Across its current portfolio of 410 resale-restricted houses and condominiums, the average household income of CHT's homebuyers, when first purchasing a shared equity home, was 68.8% of Area Median Income. Throughout its 25-year history, CHT has helped 615 households to attain homeownership with a shared equity home: 82% of these newly minted homeowners had an annual income of 80% of AMI or less; the other 18% had an annual income between 81% and 100% of AMI. CHT has never sold a resale-restricted home to a household earning *more* than 100% of AMI.

The same pattern was found within the subset of 205 resales, where the average income of the households purchasing a CHT home, when first offered for sale, was 68.6% of AMI. The average income of the households purchasing these same homes on resale was 67.8% of AMI. CHT served households at a lower level of income the second (or third) time around, although the difference was slight.³⁰

The average income of the households purchasing ... on resale was 67.8% of Area Median Income.

FIGURE 6: **HOME BUYER INCOME AT TIME OF PURCHASE** INITIAL SALE OF 205 CHT HOMES LATER RESOLD



30 More precisely, what is being compared here is the household income of buyers and sellers, as a percentage of Area Median Income (AMI), *on the day they initially bought their homes*. Regardless of whether homeowners' incomes changed during the time they owned and occupied a CHT home, their income at the time of purchase was used in making all comparisons between CHT sellers and buyers.

This pattern changed very little when the resale of CHT houses was examined separately from the resale of CHT condominiums. The buyers of CHT *houses* had an income, on average, that was 3.9% lower than the income of the households selling these houses. The buyers of CHT *condominiums* had an average income that was 1.4% lower than the income of the households selling these condominiums. There was a slightly greater gain in affordability on the resale of houses, therefore, than on the resale of condominiums.

TABLE 6: **ACCESS TO CHT HOMEOWNERSHIP:** HOMEBUYER INCOME AT TIME OF PURCHASE & TIME OF RESALE

| HUD INCOME CATEGORY | AREA MEDIAN INCOME (BURLINGTON MSA) | INITIAL SALE OF CHT HOMES NUMBER OF HOMEBUYERS IN EACH INCOME CATEGORY | RESALE OF SAME CHT HOMES NUMBER OF HOMEBUYERS IN EACH INCOME CATEGORY |
|--|-------------------------------------|--|---|
| Very Low Income | 50% AMI or Below | 26 | 34 |
| Low Income | 51% - 60% AMI | 32 | 36 |
| Low Income | 61% - 70% AMI | 48 | 46 |
| Low Income | 71% - 80% AMI | 61 | 52 |
| Moderate Income | 81% - 90% AMI | 28 | 25 |
| Moderate Income | 91% - 100% AMI | 10 | 12 |
| TOTAL HOUSEHOLDS: | | 205 | 205 |
| AVERAGE HOUSEHOLD INCOME (Houses and Condominiums Combined) | | 68.6% AMI | 67.1% AMI |
| AVERAGE HOUSEHOLD INCOME (Condominiums Only) | | 70.3% AMI | 69.3% AMI |
| AVERAGE HOUSEHOLD INCOME (Houses Only) | | 68.5% AMI | 65.8% AMI |

Looking behind these averages, we found that households earning 80% of AMI or less bought 167 of these shared equity homes (82%) on initial sale, a percentage that stayed roughly the same when these homes were resold (see Table 6). The other 38 homes were purchased by households earning between 81% and 100% of AMI.

These homes *could* have been bought by households earning even less. As reported earlier, when evaluating CHT’s claim of preserving affordability, the average CHT home was offered for a price affordable to a household earning 56.6% of AMI. On resale, it was offered for a price affordable to a household earning 53.4% of AMI (*cf.*, Table 3). There was a significant spread, in other words, at both initial purchase and eventual resale, between the household *income* of those to whom a CHT home was sold and the affordable *price* for which the home was offered for sale.

For CHT, there is a practical advantage of being able to offer its homes for prices that are affordable to households earning much less than the eligibility maximum set by CHT’s public funders (typically either 80% or 100% of AMI). The wider the spread, the deeper the pool of potential homebuyers who will be able to purchase

a CHT home when it becomes available. It should be noted, as well, that on resale there is a practical necessity for CHT to ensure that a new buyer is found within a reasonable amount of time. While CHT’s policy is to serve households at the lowest possible income, CHT is also committed to helping homeowners who are selling their homes to recoup their investment and to move on. It would be a disservice to them if the resale of homes were to be delayed for months and months while CHT was waiting for the lowest income household that could afford to buy an available home.³¹

These findings demonstrate that CHT’s efforts did expand homeownership opportunities for persons excluded from the market. There is evidence, moreover, that access to homeownership for this economic class was not only preserved when CHT homes were resold, but increased. In many cases, CHT succeeded in reaching persons at a lower level of income the second time around. During a period of rising housing prices, when there remained a substantial gap between what a lower-income household could affordably purchase and what the market could reliably provide, even with mortgage interest rates reaching their lowest point in 30 years, CHT was making homeowners out of households excluded from the conventional market. CHT had promised to expand access to homeownership for persons of modest means. The evidence shows that CHT delivered.

CREATING INDIVIDUAL WEALTH

Every community land trust, including CHT, limits the equity that homeowners may claim as their own when reselling their CLT homes. Homeowners are allowed to pocket on resale whatever equity they brought as a downpayment to the purchase of their homes, as well as any equity earned in paying off their mortgages (principal reduction). They may also claim a portion of their homes’ appreciated value, if in fact appreciation has occurred. They do not get all of it, however, not even most of it. The bulk of a property’s appreciation remains with the property, along with any public or private subsidies invested in bringing the home within the financial reach of a low-income homebuyer. This enables the CLT to re-acquire the home from the first homeowner and to re-sell it to a second homeowner at an “affordable” price that is often significantly below the property’s market value.

³¹ Realizing the importance to its homeowners of a rapid resale when they announce their desire to leave and responding to a slowdown in the condominium market during the mid-1990s, the Burlington Community Land Trust (later CHT) opened a NeighborWorks® HomeOwnership Center in 1996. By providing counseling and assistance to first-time homebuyers, CHT has deepened the pool of mortgage-ready buyers, some of whom purchase homes on the open market and some of whom purchase homes that are sold through CHT.

In many cases, CHT succeeded in reaching persons at a lower level of income the second time around.

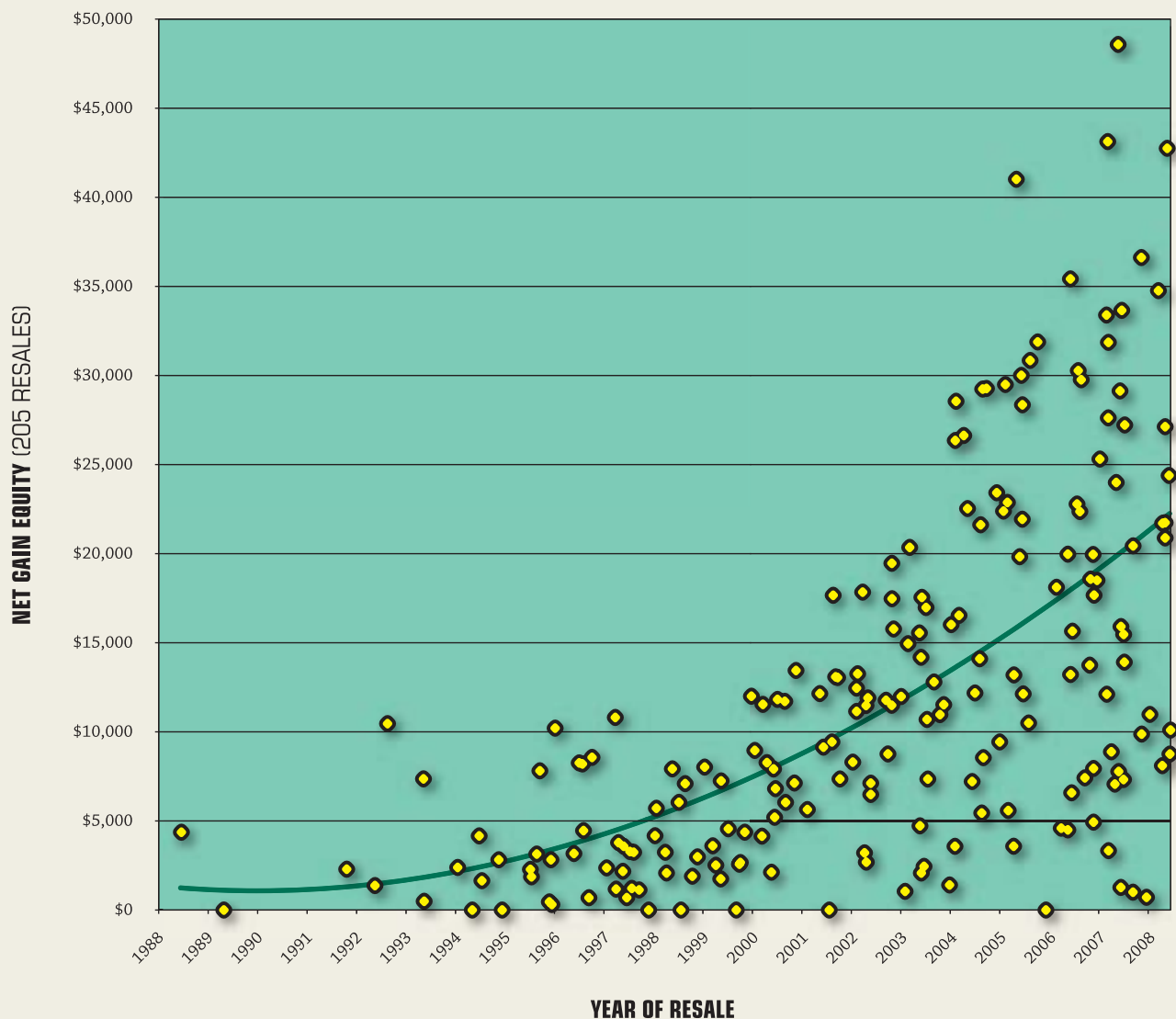
There is a trade-off here. While access to homeownership for a future generation of low-income homebuyers is expanded, the amount of wealth available to the present generation of CLT homeowners is limited. CLT homeowners can never walk away with a substantial economic windfall, should their homes soar in value. On the other hand, they seldom walk away empty-handed, as long as they meet their mortgage payments, maintain their home in good repair, remain in the home for a number of years, and happen to live in a locale where real estate values are not in total collapse. At a minimum, the typical CLT homeowner will pocket proceeds on resale that no renter will ever see: i.e., a portion of the monthly payments she has made to retain her home. At a maximum, the typical CLT homeowner will realize an additional gain: a share of her home's appreciation.³² Some CLTs, including the Champlain Housing Trust, also allow departing homeowners to recover a portion of their personal investment in making major capital improvements to their homes. If the model works as promised, the amount of money a homeowner puts into her pocket when she leaves the CLT should be greater than the amount of money she took out of her pocket in putting a downpayment on her CLT home. There should be a net gain in wealth, a fair return on the homeowner's investment.

We began our investigation of wealth creation by calculating the total proceeds, over and above a homeowner's initial investment, that each CHT homeowner realized when reselling a house or condominium. Two types of proceeds were included in these calculations: the amount of principal that each CHT homeowner had paid on her mortgage; and the share of appreciation that each CHT homeowner had earned, if her home had increased in value between the time of purchase and the time of resale. In 197 out of 205 resales, CHT homeowners gained equity through the amortization of their mortgages. The only cases in which no equity was earned through principal reduction were those homes that changed hands because of a foreclosure or a deed-in-lieu of foreclosure. In 169 out of 205 resales, CHT homeowners gained equity by sharing in their home's appreciation.

The size of these equity gains varied from homeowner to homeowner, depending on length of residence, type of housing, price paid for the home, interest paid on the mortgage, and growth in the home's appraised value (if any). There were familiar patterns here. Generally, the longer a home was

32 All CLTs do not use the sort of appraisal-based formula used by CHT, where rising real estate values result in an increase in the equity earned by a departing CLT homeowner. For CLTs that use what are known as "indexed formulas or "itemized formulas," it is somewhat misleading to describe the equity gains made by a homeowner who is selling her home as a "share" of the home's "appreciation." Indexed formulas adjust the original purchase price by applying a single factor – the change in a particular index (e.g., the CPI) between the date the homeowner purchased his/her home and the date s/he resells that home. Itemized formulas adjust the original purchase price by adding or subtracting multiple factors that affect the value of the owner's investment in a home and the value of the home itself. More detail on these different formulas for determining the resale price of CLT homes can be found in "Designing a Resale Formula," Chapter Eight of the *Community Land Trust Legal Manual*, published by the Institute for Community Economics, 2002.

FIGURE 7: NET EQUITY GAINS FOR SELLERS OF CHT HOMES* 1988-2008



* These are net gains in equity – i.e., what homeowners earned after recouping their original downpayment. For consistency and comparison of like-to-like, the capital improvements credit earned by a minority of these homeowners is excluded. The curvilinear line that appears in Figure 7 is a least squares trend line indicating the average gain in equity for all homeowners selling a CHT home in the same year.

owned, the greater were the homeowner’s proceeds.³³ Homeowners who paid a higher price for their homes and a lower rate for their mortgages had higher gains than homeowners who bought lower-priced homes and obtained higher rate mortgages. And, of course, homeowners whose homes appreciated greatly in value gained more equity than homeowners whose homes appre-

33 The strength of the correlation between the length of tenure and the size of a homeowner’s net proceeds was due largely to the retirement of principal. The longer a homeowner remained in a CHT home the greater was her equity, as she steadily paid off her mortgage. The correlation between length of tenure and a homeowner’s share of appreciation was much weaker. Longer residence did not necessarily result in greater gains from appreciation.

ciated minimally – or not at all. There were, in fact, 36 CHT homeowners who realized no gain from appreciation, either because there was no increase in the appraised value of their homes or because, in five cases, appreciation occurred but foreclosure prevented the homeowner from receiving a share.³⁴ The owners of CHT homes, in this situation, were no different than the owners of market-rate homes. They only *benefited* from appreciation if there *was* appreciation.

When the 205 resales were considered as a whole, the average CHT homeowner who resold a shared equity home had lived there for nearly five and a half years. After paying off the outstanding balance on her mortgage and recouping her original \$2,300 downpayment, she pocketed a net increase of \$11,992 in personal wealth. This represented a substantial return on a modest investment.

TABLE 7: **PROCEEDS CLAIMED BY CHT HOMEOWNERS ON RESALE OF HOUSES AND CONDOMINIUMS**

| | NUMBER OF YEARS OWNED | OWNER'S SHARE OF APPRECIATION | OWNER'S RETIREMENT OF PRINCIPAL | OWNER'S NET PROCEEDS | RETURN OF OWNER'S DOWNPAYMENT | OWNER'S GROSS PROCEEDS |
|--|-----------------------|-------------------------------|---------------------------------|----------------------|-------------------------------|------------------------|
| Averages for all condo resales | 4.96 | \$8,198.31 | \$3,932.89 | \$12,018.17 | \$2,375.42 | \$14,393.59 |
| Averages for all house resales | 6.32 | \$7,316.96 | \$4,961.04 | \$11,917.66 | \$2,160.74 | \$14,078.40 |
| Averages for all CHT resales | 5.44 | \$7,898.76 | \$4,291.83 | \$11,991.88 | \$2,300.39 | \$14,292.27 |
| <hr/> | | | | | | |
| Averages for those condo resales with any appreciation | 5.26 | \$9,649.34 | \$4,206.96 | \$13,812.84 | \$2,375.93 | \$16,188.77 |
| Averages for those house resales with any appreciation | 6.74 | \$8,636.42 | \$5,368.72 | \$13,696.04 | \$2,183.16 | \$15,879.20 |
| Averages for all resales with any appreciation | 5.78 | \$9,294.23 | \$4,614.24 | \$13,771.90 | \$2,308.35 | \$16,080.24 |

These are *averages* for all of the houses and condominiums resold between 1988 and 2008. As such, they include resales where homeowners earned nothing, due to foreclosure. They also include resales where homeowners did not earn a share of appreciation because their homes had not increased in value. Not surprisingly, when these cases are removed, the average gains realized by departing homeowners increased. Those CHT homeowners whose property rose in value and who earned, accordingly, a share of appreciation were able to pocket, on

³⁴ There was no discernible pattern among the 36 houses and condominiums with no increase in value, except for the *timing* of a home's purchase and resale. Homes with no increase in their appraised market value tended to be those that were purchased when Burlington's housing market was hot and resold when the housing market was cold. Timing mattered more than the age of the home, the size of the home, or even the location of the home in distinguishing between those houses and condominiums that appreciated and those that did not.

average, net proceeds of \$13,772. They recovered their original downpayment as well, allowing them to leave CHT with \$16,080 in hand.

CHT also allows homeowners to recoup the full market value of any capital improvements made by the homeowner during his/her tenure. A “capital improvement credit” was claimed by 42 of the 108 homeowners who resold a CHT home during the five-year period between 2003 and 2008. The lowest credit was \$500. The highest credit was \$28,500. The average credit, across all 42 homes, was \$5,842. This additional equity, earned by a minority of households on resale, is *not* included in the averages reported in Table 7.³⁵ The “capital improvement credit” collected by these 42 homeowners, in other words, was over and above the equity they realized from recouping their original downpayment, paying off a portion of their original mortgage, and claiming a share of their property’s appreciation.

Having established that CHT homeowners did, indeed, walk away with more wealth than they possessed when they initially bought their CHT homes, we asked a more difficult question: did CHT homeowners earn a “fair” return when reselling their resale-restricted homes? The answer must depend, of course, on what is meant by “fair,” a rather slippery term. “Fair” to whom? “Fair” as compared to what?

If the only standard of a “fair” return is the amount of money that conventional homeowners would receive in an appreciating market on the resale of homes having none of the restrictions that encumber a CHT home, the returns received by CHT homeowners must suffer by comparison. Consider the hypothetical example of a CHT home that was purchased for \$80,000 in the mid-1990s and was resold six years later (see Table 8). Had this been an unrestricted, market-rate home with \$31,600 in appreciation, its owner would have walked away on resale with \$37,810 in equity (over and above the initial downpayment), an annualized net gain in equity of nearly 44%, when assuming a 5% downpayment of \$4,778. The same home, if purchased and resold through CHT, would have netted the homeowner \$13,099 in equity, an annualized gain of 36%, when assuming a standard CHT downpayment of \$2,400. CHT homeowner, in short, would not have fared as well in an appreciating market as the owners of unrestricted, market-rate homes.³⁶

³⁵ Had we not removed this credit from our calculations in Table 7, average equity gains would have been made artificially high. The credit *was* included, however, in the purchase price paid by the next homebuyer, when the home was resold. This credit was not removed, in other words, from our assessment of the home’s continuing affordability.

³⁶ Note, however, that much of this advantage disappears if there is no appreciation. When this portion of a market-rate homeowner’s equity is removed, the equity differential between a market-rate home and a CHT home shrinks dramatically. Indeed, because a CHT homeowner is typically paying a lower downpayment for a lower-priced home, the *annualized rate* of equity gain for a CHT homeowner may actually exceed the rate of gain for a market-rate homeowner. In the hypothetical presented in Table 7, for example, the net gain in equity for a CHT homeowner was 21.18%, when there was no appreciation. The net gain in equity realized by the owner of a market-rate home was 14.89%.

TABLE 8: COMPARISON OF RETURNS BY TYPE OF INVESTMENT

| | RENTER "INVESTING" IN SECURITY DEPOSIT (RETURNED W/ INTEREST) | RENTER INVESTING IN THE STOCK MARKET | HOMEOWNER INVESTING IN CHT HOME: NO APPRECIATION | HOMEOWNER INVESTING IN MARKET-RATE HOME: NO APPRECIATION | HOMEOWNER INVESTING IN CHT HOME: W/ APPRECIATION | HOMEOWNER INVESTING IN MARKET-RATE HOME: W/ APPRECIATION |
|---|--|---|---|---|---|---|
| Purchase price¹ | \$0 | \$0 | \$80,000 | \$95,553 | \$80,000 | \$95,553 |
| Initial investment² | \$2,400 | \$2,400 | \$2,400 | \$4,778 | \$2,400 | \$4,778 |
| Mortgage amount | \$0 | \$0 | \$77,600 | \$90,775 | \$77,600 | \$90,775 |
| Years occupied | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Total appreciation | \$0 | \$0 | \$0 | \$0 | \$31,600 | \$31,600 |
| NET PROCEEDS (beyond initial investment): | | | | | | |
| Principal retirement claimed by occupant³ | \$0 | \$0 | \$5,199 | \$6,210 | \$5,199 | \$6,210 |
| Appreciation claimed by occupant⁴ | \$0 | \$0 | \$0 | \$0 | \$7,900 | \$31,600 |
| Interest claimed by occupant⁵ | \$649.78 | \$2,094 | \$0 | \$0 | \$0 | \$0 |
| Net proceeds claimed by occupant | \$650 | \$2,094 | \$5,199 | \$6,210 | \$13,099 | \$37,810 |
| ANNUALIZED RETURN | | | | | | |
| Return on investment⁶ | 4.07% | 11.02% | 0.00% | 0.00% | 27.48% | 40.26% |
| Net gain in equity⁷ | 4.07% | 11.02% | 21.18% | 14.89% | 36.46% | 43.99% |

Note 1: On average, the initial purchase price of a CHT home was \$15,553 below its appraised price. Had that same home been a "market-rate" home, therefore, it would have sold for \$95,553.

Note 2: CHT homeowners made a downpayment of 3% (or less); 5% is the standard downpayment for a market-rate home, using the lowest-rate mortgage offered by the Vermont Housing Finance Agency.

Note 3: A 7.7%, fixed-rate, 30-year mortgage is used for calculating the principal retirement for both CHT home and the market-rate home.

Note 4: A CHT homeowner's share of appreciation is 25%; a market-rate homeowner gets 100%.

Note 5: The net proceeds for the renter "investing" in a security deposit assumes that the renter recoups her entire security deposit, plus interest at an annual rate of 4%. The net proceeds for the renter investing in stocks and bonds assumes that \$2,400 was invested in a growth and equity fund earning 10.5% per year – the average rate for such a fund during the period 1988-2002, when our hypothetical investment was assumed to have occurred.

Note 6: Return on investment takes account of initial investment only (i.e., downpayment, security deposit, or purchase of a CD) and counts only those returns which accrue as a result of that initial investment, not as a result of later payment or deposits. In the case of CHT homeowners and market-rate homeowners, their "returns" include share of appreciation only. Tax benefits of homeownership are not included in the calculation of the homeowner's equity.

Note 7: Net gain in equity includes all proceeds to a renter or homeowner, over and above initial downpayment (or, in a renter's case, all proceeds beyond return of the security deposit). In the case of CHT homeowners and market-rate homeowners, their gains include all proceeds from the sale of their homes: share of downpayment AND retirement of principal. Tax benefits of homeownership are not included in the calculation of the homeowner's equity.

This is comparing the real against the ideal, however. Few of the households who initially bought a CHT home could have purchased an unrestricted, market-rate home, then or later. Equity windfalls from a form of housing that remains stubbornly out of reach of the lower-income households served by CHT is not the best standard against which to judge whether CHT's homeowners earned a "fair" return when reselling their homes.

There are better comparisons to be made. The equity earned on resale by the average CHT homeowner might be compared, for instance, to what a tenant would have received after paying rent on the same home for six years. Even in those instances where a tenant's security deposit is not only returned when leaving the rental but returned with interest, the net proceeds earned by the renter (\$650) would have been a fraction of those earned by the average CHT homeowner.³⁷ Alternatively, a comparison might be drawn between the returns realized by the average CHT homeowner and the returns the same person might have realized had she invested in something other than a CHT home (see Table 8). What if a renter, instead of making a downpayment on a CHT home in 1996, had taken her \$2,400 nest egg and placed that money in the stock market for six years, investing in a growth and income mutual fund delivering substantial returns (which was commonly the case prior to the stock market's recent collapse). At rates prevailing for such mutual funds during the late 1990s, a period of unusually high profitability for stocks, she would have earned \$2,093 on her investment, an annualized gain of 11%. In six years, our amateur investor would have nearly doubled her money. Nevertheless, her earnings would still have been considerably less than the \$5,199 in principal retirement and the \$7,900 in appreciation she would have received had she gone ahead and bought one of CHT's houses that appreciated in value between the time it was purchased and time it was resold. Even had she bought a CHT home that experienced no appreciation, she would have walked away with twice as much money as she would have gained by investing in the stock market. Her risk would have been less, moreover; so would her taxes.³⁸ Whether in a real estate market that was appreciating or in one that was flat, a CHT home would have been a better investment.

In the end, after considering the issue of wealth enhancement from several angles, we reached the following conclusions. CHT's homeowners received less equity and a lower return on their investment than they would have received had they been able to make the leap into conventional homeownership – *if* their market-rate homes had subsequently appreciated in value. The return received by the owners of CHT's resale-restricted homes was much *higher*, however, than other investments realistically within their reach. Most of these homeowners walked away with much more money in their pockets than they had possessed when first buying a CHT home. CHT provided them with a unique opportunity to increase their personal wealth.

³⁷ In CHT's service area, this example is not the rarity it would be in many housing markets. Since 1994, Burlington has had an ordinance on the books (Burlington Code, Section 18-120) that requires landlords to return security deposits to tenants who are vacating a rental unit, if there has been no damage beyond normal wear and tear and if there are no unpaid bills for rent or utilities. The security deposit must be "held by the owner in an interest-bearing account, with an interest rate at least equivalent to a current Vermont bank passbook savings account." Both the security deposit and any interest earned must be returned to the tenant within fourteen days from the date on which the rental unit was vacated.

³⁸ Given the volatility of stocks and bonds, putting \$2,300 into a mutual fund must be regarded as a far riskier investment than making a \$2,300 downpayment on a house or condominium. The capital gains derived from a mutual fund, moreover, are usually accompanied by a substantial tax liability, reducing the investor's net proceeds. There is no such tax liability – and no such erosion in net proceeds – for a homeowner who sells her primary residence for a price higher than she paid.

CHT provided

[homebuyers] with

a unique opportunity

to increase their

personal wealth.

FIGURE 8: AVERAGE LENGTH OF TENURE OF CHT HOMES



ENABLING RESIDENTIAL MOBILITY

Community land trusts like CHT make the claim that their homeowners are just as mobile as other homeowners in a country where changes in residence are relatively common. Far from being “trapped” in their price-restricted homes, CLT homeowners move with similar frequency and for similar reasons as homeowners who buy and sell homes on the open market. When they decide to relocate, moreover, CLT homeowners resell their homes with relative ease (with the CLT’s assistance) and obtain housing that is comparable to the housing they left behind. If the model works as promised, the mobility of those who own and occupy CLT housing should be similar to those who own and occupy market-rate housing.

Compared to national averages, the owners of homes resold through CHT moved less frequently than renters, whose median length of tenure is 2.1 years, and more frequently than the owners of market-rate homes, whose median length of tenure is 8.2 years.³⁹ Examining the 152 houses and condominiums in CHT’s portfolio that had been resold one or more times (see Table 9), we found an owner’s average length of tenure to be 5.44 years, while somewhat shorter for the owners of condominiums (4.96 years) and somewhat longer for the owners of single-family houses (6.32 years). Not surprisingly, all of these

averages were higher for that portion of CHT’s portfolio with no resales; that is, those 258 houses and condominiums still occupied by their original owners (see Figure 8). The average length of tenure among the owners of homes that have never resold was 6.73 years, again somewhat shorter for condominiums (5.47 years) and substantially longer for houses (8.7 years).

Why did CHT’s homeowners sell and where did they go? There was no information contained in CHT’s case files for homes resold prior to 2003 that would have enabled us to answer these questions – and too little information collected for some of the homes resold after 2003. We were forced to rely, therefore, on the recollections of nine different CHT employees, present and former, who had supervised the resale of CHT homes during the period covered by our study. We supplemented their responses by phone interviews with former CHT homeowners, when they could be located.

³⁹ These national averages are taken from Rohe, Van Zandt, and McCarthy (Ibid., 2002: 392).

CHT's homeowners changed residence for the same reasons that we would find among any other group of homeowners (see Table 10). They bought another home. They got married or got divorced. They decided, out of preference or necessity, to live somewhere else. Some moved because the financial burden of owning a home was too great. Their financial circumstances had changed since buying a CHT home and they either defaulted on their mortgage or simply decided that homeownership was no longer within their means. These reasons are not mutually exclusive. A CHT homeowner could have decided to move, for example, because she got married *and* because she was buying another home. Table 10 attempts to identify the main cause, the precipitating event, behind the decision to move out of a CHT home.

Most CHT homeowners, having made the decision to move, had their homes repurchased by the Champlain Housing Trust within a relatively short time. They notified CHT of their intent to sell and, in consultation with CHT, arranged for an appraisal to be done. Upon completion of the appraisal, CHT was then granted by the ground lease (or covenant) a period of 120 days to repurchase the property if a house, or 180 days if a condominium. Although CHT never exercised its option until another low-income household was lined up to buy the home, CHT assumed responsibility for marketing it and for coordinating the sale and closing (sellers do not pay CHT a commission for these services out of their proceeds).⁴⁰ For most of its 205 resales, CHT found a buyer within the four-to-six month option period, allowing sellers to recoup their downpayments, pay off their mortgages, realize whatever equity they had earned, and relocate to other homes. Some transfers took longer, however. Similar to the sale of market-rate homes, the sale of shared equity homes through CHT slowed whenever the housing market cooled or mortgage rates spiked. During the slump in the condo market in the mid-1990s, in particular, the resale of condominiums frequently took longer than six months. When Burlington's housing market heated up again after 1998, the resale of CHT's condominiums became easier – and faster.⁴¹

TABLE 9: LENGTH OF OWNERSHIP FOR CHT RESALES, 1988-2008

| NUMBER OF YEARS OWNED PRIOR TO RESALE | NUMBER OF HOMES | PERCENTAGE OF HOMES |
|---------------------------------------|-----------------|---------------------|
| Less than 2 years | 29 | 14.2 % |
| 2 – 4 years | 53 | 25.9 % |
| 4 – 6 years | 44 | 21.4 % |
| 6 – 8 years | 35 | 17.1 % |
| More than 8 years | 44 | 21.4 % |
| Average length of ownership | 205 | 5.44 years |

40 CHT does not normally repurchase until another income-eligible buyer is lined up. On a handful of occasions, however, when a home has needed major rehab, CHT has exercised its option, repurchased the home, and rehabilitated it before looking for another low-income homebuyer.

41 Two other exceptions to the pattern of CHT homes selling within four-to-six months were the transfer of nine homes precipitated by foreclosure and the sale of a dozen condominiums on which CHT did *not* exercise its option to repurchase. Finding buyers for these latter units took considerably longer than six months, which was the principal reason for CHT's eventual decision to allow their conversion to market-rate housing.

TABLE 10: **WHY DID CHT HOMEOWNERS DECIDE TO SELL?**

| | NUMBER | PERCENT |
|-------------------------------|------------|---------------|
| Bought another home | 69 | 33.7% |
| Got married | 40 | 19.5% |
| Moved out of the area | 24 | 11.7% |
| Financial difficulties | 20 | 9.8% |
| Relocated for job | 17 | 8.3% |
| Got divorced | 11 | 5.4% |
| Death, incapacity, or medical | 11 | 5.4% |
| Change in family size | 6 | 2.9% |
| No reason given | 2 | 1.0% |
| Voluntary downsizing | 2 | 1.0% |
| Moved closer to family | 1 | 0.5% |
| Moved closer to church | 1 | 0.5% |
| House needed major work | 1 | 0.5% |
| TOTALS | 205 | 100.0% |

A majority of the people who left CHT did not go very far. After reselling their CHT homes, only 22.9% of these households moved out of state; another 10.7% moved out of Chittenden, Franklin, or Grand Isle County, but remained in Vermont (see Table 11). Most of the others either moved from a neighborhood inside of Burlington to one of the suburbs surrounding the city or they moved from one Burlington neighborhood to another.

We were especially interested in knowing what kind of housing these homeowners secured *after* they resold their CHT homes. This proved to be the most difficult data of the entire study to collect. After surveying current and former employees of CHT who had supervised these resales and after tracking down a number of former CHT homeowners to verify their subse-

quent housing situations, we still found ourselves with 30 missing cases. Most of these people had moved out of state and could not be located. What we learned about the rest – that is, the 175 former CHT homeowners for whom we did have information – was that 118 of them (67.4%) had purchased a market-rate home within six months of reselling their CHT home (see Table 12 and Figure 9). Ten (10)

others exchanged one CHT home for another (5.6%). Five (5) homeowners died (2.9%).⁴² Forty-two (42) others reverted to renting after selling their CHT homes (24.0%) – some of them renting from CHT.

The discovery that ownership of a resale-restricted home had served as a springboard to the ownership of a full-equity, market-rate home for so many participants in CHT’s program was rather surprising. CLTs do claim that their homeowners are not “stuck” in this unusual form of

TABLE 11: **WHERE DID CHT HOMEOWNERS RELOCATE AFTER SELLING THEIR CHT HOMES?**

| | NUMBER | PERCENT |
|---|------------|---------------|
| Stayed in Chittenden County, but outside of Burlington | 88 | 42.9% |
| Moved outside of Vermont | 47 | 22.9% |
| Moved to a neighborhood inside of Burlington | 29 | 14.1% |
| No location given | 14 | 6.8% |
| Moved outside of Chittenden County, but remained in Vermont | 22 | 10.7% |
| Death of CHT homeowner | 5 | 2.4% |
| TOTALS | 205 | 100.0% |

42 At the death of a CHT homeowner, the home may be bequeathed to and occupied by one of the homeowner’s heirs. If an heir does not wish to occupy the home it is re-acquired by CHT and resold to another low-income household. Equity due to the deceased homeowner from the sale of her CHT home is conveyed to the owner’s estate and split among the homeowner’s heirs.

TABLE 12: WHAT KIND OF HOUSING WAS SECURED BY CHT HOMEOWNERS AFTER SELLING THEIR CHT HOMES?

| | NUMBER | PERCENT OF ALL 205 HOUSEHOLDS WHO RESOLD | PERCENT OF 175 HOUSEHOLDS WHOSE SUBSEQUENT SITUATIONS ARE KNOWN |
|-------------------------------------|------------|--|---|
| Owner-occupied, market-rate housing | 118 | 57.6% | 67.4% |
| Owner-occupied, CHT housing | 10 | 4.9% | 5.7% |
| Renter-occupied housing | 42 | 20.5% | 24.0% |
| Death of CHT homeowner | 5 | 2.4% | 2.9% |
| Unknown | 30 | 14.6% | 0.0% |
| TOTALS | 205 | 100.0% | 100.0% |

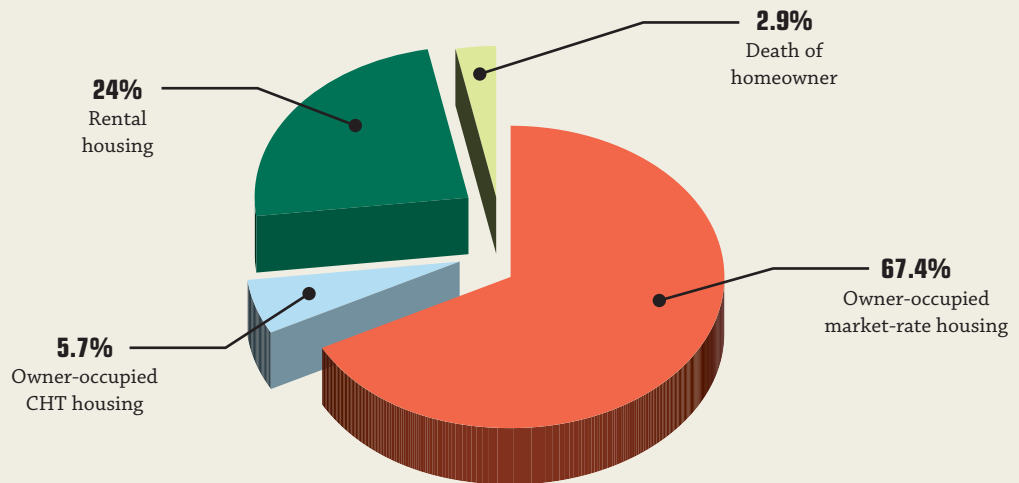
tenure, declaring that they move as frequently and as easily as other homeowners. On the other hand, most CLTs do everything they can to dampen the expectations of prospective homebuyers that they will someday be able to resell their homes for enough money to make the leap into the market. In fact, as we have already seen in the case of CHT, the amount of equity earned on resale by the average CHT homeowner, while significant, was not substantial. This homeowner would have left CHT with net proceeds of nearly \$12,000, after recouping her original downpayment of \$2,300. Had she made a capital improvement in her CHT home, during the years she had lived there, she might have recouped an additional \$5,000 as well. That would have been a nice nest egg to invest in another home, especially during years when mortgage interest rates were falling toward historic lows. By itself, however, this would not have been sufficient to purchase most market-rate homes in most of the communities to which CHT's former homeowners moved. Something more was at work; something else was to credit for the sheer number of homeowners who ended up in market-rate homes after leaving CHT.

There are several possible explanations, all of them speculative. The ownership of a CHT home may have helped households to increase their savings, a consequence of stabilizing their housing costs. Homeownership may have enhanced the households' credit rating, making it more likely that a lender would offer them a mortgage for their next real estate purchase. Homeownership may have given some people the confidence, steadiness, and motivation to earn an academic degree or to acquire training for a better-paying job. There may also be a link between homeownership and household formation, given the large number of homeowners

(40) who left CHT because they got married.⁴³ Regrettably, we did not have the data that might have allowed us to test any of these hypotheses. We can say something about *what* happened when people went looking for a home after leaving CHT; we cannot say *why*.

In the end, our findings tended to confirm the model's claims for residential mobility, mostly by showing how ordinary were the motivations and choices of CHT's homeowners. Their decisions about why to move and where to move were no different from those commonly made by homeowners buying market-rate homes.⁴⁴ When they moved, moreover, they found housing that was similar to the homes they had left behind. To the extent that they (or others) believed moving to the suburbs or acquiring a market-rate home to be an improvement in their housing situations, most homeowners who left CHT may be said to have secured subsequent housing that was not only "comparable" to their CHT homes, but "better." They had moved on with relative ease, using CHT as a stepping stone toward a desired destination.

FIGURE 9: **WHAT KIND OF HOUSING WAS SECURED BY 175 CHT HOMEOWNERS WHOSE SUBSEQUENT SITUATIONS ARE KNOWN?**



43 Approximately 37% of the original owners and subsequent buyers of the 205 homes resold through CHT between 1988 and 2008 were female-headed households. This characteristic of CHT's clientele may have contributed to the high number of homeowners who left CHT because of marriage and may have contributed, as well, to the high number of homeowners who purchased market-rate homes after leaving CHT.

44 See, for instance, the *American Housing Survey for the United States*, conducted every other year by HUD and the Census Bureau. The survey documents over two dozen different reasons given by owners and renters for changing residence. The reasons that typically garner the most responses in this national survey are the same as those voiced most often by CHT's homeowners: "establish own household," "wanted better home or larger unit," "married," "new job or transfer," "widowed, divorced, separated," etc.





CONCLUSION

Our purpose in conducting this study was to use the programmatic performance of a particular CLT, the Champlain Housing Trust, in evaluating claims that are common to nearly all CLTs. The model is said to provide – and to balance – a unique combination of community benefits and individual benefits. We endeavored to assess whether CHT, in applying this model to its own portfolio of owner-occupied housing, had actually provided these benefits, delivering on the model’s many promises.

The evidence suggests that CHT has, in fact, done what it promised to do. Examining its portfolio of 410 resale-restricted, owner-occupied homes, especially those houses and condominiums that resold 205 times between 1988 and 2008, we found that:

- The affordability of CHT’s homes was reliably preserved across multiple resales, serving successive generations of lower-income homebuyers at the same level of household income – or lower;
- The public subsidies invested in CHT’s homes were durably protected and effectively leveraged, buying more for less;
- The lands acquired by CHT and the homes placed under CHT’s stewardship were rarely released to the market. Even during a period of rampant mortgage defaults among market-rate housing, only a few of CHT’s shared equity homes ever went to foreclosure – and none was lost from CHT’s portfolio because of foreclosure;
- Access to homeownership for persons of limited means was significantly expanded, with a majority of CHT’s homebuyers earning considerably less than 80% of Area Median Income;
- Individual assets were significantly increased, with most of CHT’s homeowners walking away with much more wealth than they had possessed when buying their resale-restricted home; and
- Residential mobility was assured, with most households leaving CHT for similar reasons, with similar destinations, and with similar success as homeowners buying and selling on the open market.

Only for the last finding, where available information was more anecdotal and less complete than for the other claims, was it necessary to add a caveat. The data available to us indicated that the transition out of CHT housing, for most homeowners, was easy, ordinary, and upward. There is nothing to indicate that our conclusions would have been any different had the motivations, destinations, and subsequent housing situations of these homebuyers been better documented at the

time they left CHT. Nevertheless, it must be acknowledged that the basis for our analysis of residential mobility is less substantial than the factual foundation beneath our other findings.

Even with this in mind, it can be said with considerable confidence that CHT was highly effective in doing what it claimed it could do, throughout the 25-year period covered by the study and for that portion of CHT's residential portfolio included in the study. With few exceptions, the model of shared equity homeownership employed by CHT performed precisely as promised.

A portfolio of 410 resale-restricted, owner-occupied homes, involving 205 resales, is too small a sample on which to base a conclusion about the general applicability of CHT's model of tenure. These resales occurred, moreover, in a place with a tight housing market and mostly during a time of rising housing prices, lagging incomes, and falling mortgage rates. A different CLT, using a different resale formula and operating under different market conditions, might be expected to produce somewhat different results. CHT's performance can only be regarded, therefore, as a preliminary test of the model's effectiveness.

There are reasons to believe, however, that the patterns revealed by our study are not unique to this particular CLT. Every community land trust uses some variation of CHT's basic approach to developing and managing resale-restricted homes: leasing the land, selling the structural improvements, regulating their occupancy and use, and capping the price for which this owner-occupied housing may be resold. Many nonprofit housing development corporations employ some variation of CHT's approach when using deed covenants to control the sale and resale of owner-occupied houses and condominiums. Likewise, many cooperative housing corporations make use of occupancy controls and resale formulas that are very similar to those contained in the ground leases and affordability covenants used by CHT. All of these organizations, in other words, CLT and non-CLT alike, strive to achieve in their own homeownership programs the same sort of balance achieved by CHT in serving the interests of both its community and its homeowners.

CHT's model of resale-restricted, owner-occupied housing does not prescribe the exact form these other shared equity homeownership programs should take. Nor does CHT's performance predict the exact results these other programs will get. It does demonstrate the practicality of this balancing act – and the possibility of success. If CHT can expand homeownership in the present, while preserving affordability for the future; if CHT can create private wealth, while preserving and leveraging community wealth; if CHT can enable individual mobility, while protecting the security of low-income homeowners and enhancing the stability of residential neighborhoods, then others can too.

Furthermore, while the market in which many of these organizations operate may be different than the real estate market in Burlington, Vermont, the relationship between housing costs and household incomes is much the same. Mortgage rates may temporarily tumble or market prices may temporarily stumble, but the long-term trend has been for the cost of homeownership to move increasingly beyond the reach of persons of modest means. In hundreds of cities and towns, the affordability gap has grown wider over time.

In hundreds of other cities and towns, by contrast, a sinking economy has temporarily vanquished affordability as a pressing concern. Property values have plunged, mortgage defaults have climbed, and foreclosures have soared. It is not affordability that is being lost, but the homes themselves. A community land trust like CHT, operating in a real estate market of relative stability, might seem to have little relevance for a nonprofit housing development organization plying its trade where the market has collapsed. But the brand of stewardship practiced by CHT has two faces: perpetuating affordability in the face of economic prosperity; and perpetuating homeownership in the face of economic hardship. CHT stands behind its homes long after they are sold. They are designed to last – and they do.

The Champlain Housing Trust has been promising for twenty-five years that homeownership can not only be made affordable but kept affordable; it has been promising that homeownership can not only be gained but retained by people of limited means – in good economic times and in bad. To the extent that CHT has been able to deliver on these promises – and on several others besides – there are lessons here for every organization with a similar mission and for every community with similar concerns.

*CHT stands behind
its homes long after
they are sold. They
are designed to last –
and they do.*



APPENDIX A

COMPARISON OF FINDINGS FROM 2003 AND 2009 EDITIONS OF THE CHAMPLAIN HOUSING TRUST PERFORMANCE EVALUATION

In May 2003, CHT (then named the Burlington Community Land Trust) published a performance evaluation entitled *Permanently Affordable Homeownership: Does the Community Land Trust Deliver on Its Promises?* This study examined 97 resales occurring between 1988 and 2002. The present study, published six years later, incorporates these earlier cases, while adding another 108 resales occurring between 2002 and 2008.

| PORTFOLIO OF RESALE-RESTRICTED, OWNER-OCCUPIED HOMES | 2003 EDITION | 2009 EDITION |
|--|--------------|--------------|
| Number of Shared Equity Homes Developed By CHT | 259 | 424 |
| Number of Shared Equity Homes In CHT's Portfolio | 247 | 410 |
| Units "Released" From Portfolio | 12 (4.6%) | 14 (3.3%) |
| Foreclosures (Or Deed-In-Lieu of Foreclosure) | 7 | 9 |
| Foreclosed Homes Lost From Portfolio | 0 | 0 |
| Resales | 97 | 205 |

| LENGTH OF TENURE | 2003 EDITION | 2009 EDITION |
|----------------------|--------------|--------------|
| Years Owned - All | 5.33 | 5.44 |
| Years Owned - Condos | 5.21 | 4.96 |
| Years Owned - Houses | 5.50 | 6.32 |

| INCOME OF HOUSEHOLDS SERVED BY CHT: GAIN OR LOSS OF AFFORDABILITY | 2003 EDITION | 2009 EDITION |
|---|--------------|--------------|
| HH Income of Seller | 69.4% AMI | 68.6% AMI |
| HH Income of Buyer | 67.8% AMI | 67.1% AMI |
| % Δ HH Income - All | + 2.3% | + 2.19% |
| % Δ HH Income - Condos | - 1.7% | +1.42% |
| % Δ HH Income - Houses | + 8.0% | + 3.94% |

APPENDIX A CONTINUED

| PRICE OF HOMES RESOLD THROUGH CHT: GAIN OR LOSS OF AFFORDABILITY | 2003 EDITION | 2009 EDITION |
|---|---------------------|---------------------|
| % Δ PRICE - ALL | + 13.8% | + 5.65% |
| % Δ PRICE - CONDOS | + 13.1% | + 3.21% |
| % Δ PRICE - HOUSES | + 14.8% | + 9.79% |
| WEALTH CREATION FOR CHT HOMEOWNERS (AVERAGES FOR ALL RESALES) | 2003 EDITION | 2009 EDITION |
| Downpayment | \$2,030 | \$2,300 |
| Years of occupancy | 5.33 | 5.44 |
| Net gain in equity (after recouping downpayment) | \$6,184 | \$11,992 |
| HOUSING SECURED AFTER RESELLING CHT HOME (WHERE NEXT HOME WAS KNOWN) | 2003 EDITION | 2009 EDITION |
| Market-rate homeownership | 74.1% (60) | 67.4% (118) |
| CHT homeownership | 4.9% (4) | 5.7% (10) |
| Rental housing | 19.8% (16) | 24.0% (42) |
| Death of CHT homeowner | 1.2% (1) | 2.9% (7) |
| Unknown Cases | 16 | 30 |

APPENDIX B FEDERAL DEFINITION OF A COMMUNITY LAND TRUST

Introduced by U.S. Representative Bernie Sanders and signed into law in 1992.

SECTION 212, HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1992

H11966 CONGRESSIONAL RECORD - HOUSE *October 5, 1992*

DEFINITION OF COMMUNITY LAND TRUST—For purposes of this section, the term “community land trust” means a community housing development organization (except that the requirements under subparagraphs (C) and (D) of section 104(6) shall not apply for purposes of this subsection)—

- (1) that is not sponsored by a for-profit organization;
- (2) that is established to carry out the activities under paragraph (3);
- (3) that—
 - (A) acquires parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases; (B) transfers ownership of any structural improvements located on such leased parcels to the lessees; and (C) retains a preemptive option to purchase any such structural improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low-and moderate-income families in perpetuity;
- (4) whose corporate membership that is open to any adult resident of a particular geographic area specified in the bylaws of the organization; and
- (5) whose board of directors—
 - (A) includes a majority of members who are elected by the corporate membership; and
 - (B) is composed of equal numbers of
 - (i) lessees pursuant to paragraph (3)(B),
 - (ii) corporate members who are not lessees, and
 - (iii) any other category of persons described in the bylaws of the organization.



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 110th CONGRESS, SECOND SESSION

Vol. 154

WASHINGTON, WEDNESDAY, JULY 30, 2008

No. 128

Senate

VERMONT'S CHAMPLAIN HOUSING TRUST WINS THE 2008 WORLD HABITAT AWARD

Mr. SANDERS. Mr. President, It is with great pleasure that I inform you, my colleagues, and the nation that Vermont's Champlain Housing Trust was selected as one of two recipients of the 2008 World Habitat Award, an honor presented annually by the United Nations.

Each year on World Habitat Day, the United Nations Agency for Human Settlements, which promotes socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all, presents these awards. Established in 1985, the World Habitat Awards are bestowed on projects that provide practical and innovative solutions to current housing needs and problems. One award is for a project in the global north and the other for a project in the global south.

I have a particularly deep and lengthy interest in the Champlain Housing Trust. It was established as the nation's first municipally-funded community land trust in 1984, when I was Mayor of Burlington, Vermont. It has grown substantially, and today it is not only the first, but the largest, community land trust in the country. It has provided a model for securing perpetually affordable housing that has been adopted by many other cities and municipalities across the nation.

The program came into being because, in the 1980s, Burlington faced a number of housing challenges—and we were looking for innovative solutions. Among other issues that we faced was the reality that low and moderate income households, in the face of rapidly rising and fluctuating house prices, were threatened with displacement. We also believed that decent and affordable housing was a right of all people and not just a commodity for financial gain by a select few. As Mayor of Burlington, I was very fortunate to have an outstanding staff as well as strong community input in helping to formulate this concept. Among many others who played an active role in developing what was

initially called the Burlington Community Land Trust were Terry Bouricius, John Davis, Peter Clavelle, Michael Monte, Brenda Torpy and Amy Wright.

When I entered the House of Representatives, my interest in land trusts did not abate. Encouraged by the growing land trust community across the nation, I successfully introduced legislation that encouraged the use of the land trust model the Burlington Community Land Trust had helped establish so that this model could be expanded to communities across the country.

Meanwhile, ably directed by Brenda Torpy and a legion of committed staff and volunteers over the past two and a half decades, the Champlain Housing Trust has continued to grow and expand its geographic reach, and has been met with unparalleled success. Thousands of low and moderate income families have been able to experience homeownership, while the Trust has made great strides both toward revitalizing Burlington's historical Old North End neighborhood and expanding to three different counties in Northwestern Vermont.

The Champlain Housing Trust is a model of democracy at the grassroots, involving homeowners, as well as government officials and members of the larger community, in its governance.

It has been a successful experiment that has revealed to the nation and, as this U.N. award demonstrates, to the world as well, how through the land trust concept, home ownership can be combined with making housing perpetually affordable.

The 2008 World Habitat Award is in recognition of all who have worked on establishing and expanding land trusts, all who have bought land trust homes, and all who have helped disseminate the land trust concept. And, in particular, it is a celebration of the wonderful work done by the Champlain Housing Trust.



WHAT PEOPLE ARE SAYING ABOUT LANDS IN TRUST HOMES THAT LAST

“ CHT is a leading light in a vibrant movement that now numbers over 200 CLTs in the USA. By carefully and transparently documenting its own performance, CHT helps to show how effective this model of tenure can be not only in preserving affordability when the housing market is hot, but in preventing foreclosures when the market cools. CHT has had a significant, measurable impact on their community, with their homeowners as well as with the entire CLT movement and the numbers show it! ”


— *Roger Lewis, Executive Director,
National CLT Network*

“ As a chartered member of NeighborWorks® America, the Champlain Housing Trust must be a good steward of public resources. This report documents that not only do they leverage our investment to provide homeownership opportunity, but CHT’s model recycles that investment over and over again, serving family after family. ”

— *Kenneth D. Wade, Chief Executive Officer,
NeighborWorks® America*

“ I am thrilled to see the results reported in *Lands in Trust*. They confirm my conviction that Shared Equity Homeownership offers stable asset-building opportunities for homeowners while maintaining a permanently affordable housing stock that is critical to the economic vitality of our communities. Long-term stewardship and preservation of affordable housing is a critical piece of this success story. Now that we know it works, it is time to build this model to scale in communities across the country. ”

— *George McCarthy, Director of Urban Opportunity,
Ford Foundation*



“KeyBank is proud to have been a partner to Champlain Housing Trust for many years. With this study they demonstrate value of the Community Land Trust model to help CRA eligible home buyers. It has proven a safe option for both borrowers and lenders because the Community Land Trust stands behind borrowers throughout their tenure and helps to prevent delinquency and foreclosure.”

— *Scott D. Carpenter, Vermont District President,
KeyBank N.A.*

“*Lands in Trust* gives community development practitioners world-wide compelling evidence that the Community Land Trust model is truly sustainable and effective. The Champlain Housing Trust was selected as a winner of the World Habitat Award in 2008 for its work in developing the CLT model that can be used worldwide to deliver affordable housing and community engagement.”

— *Diane Diacon, Executive Director,
Building and Social Housing Foundation*

“*Lands in Trust* documents the tremendous value we have created in Vermont by targeting our affordable housing investment into the durable Community Land Trust model. The Champlain Housing Trust has shown, over twenty-five years, that we have made the right decisions with our public investments.”

— *Gus Seelig, Executive Director,
Vermont Housing and Conservation Board*

“We have known for a long time in Vermont that the Champlain Housing Trust provided stable homeownership opportunity for many of our borrowers. The data compiled in *Lands in Trust* confirms that CHT helps VHFA deliver on our mission, while doing so much for the communities we serve together.”

— *Sarah Carpenter, Executive Director,
Vermont Housing Finance Agency*

WHAT PEOPLE ARE SAYING ABOUT LANDS IN TRUST HOMES THAT LAST

“Champlain Housing Trust’s homeownership model is a wonderful example of an innovative solution to a complex problem that is consistent with the Vermont tradition. This study is evidence that spending public dollars wisely can create a lasting community impact for affordable housing.”

— *Senator Patrick Leahy (D-Vt.)*

“I am proud to have supported the startup of the Champlain Housing Trust while Mayor of Burlington. Since 1984, CHT has opened up homeownership to hundreds of Vermonters, while creating a model of homeownership that has been copied all over the country – and now the world. I was particularly gratified last year when the UN-HABITAT program recognized CHT with a World Habitat Award for its global impact on innovation in affordable homeownership.”

— *Senator Bernie Sanders (I-Vt.)*

“For the past 25 years, the Champlain Housing Trust has demonstrated the positive impact Community Land Trusts can have on Vermont communities. Their work in expanding homeownership, investing in individuals and communities, and stabilizing neighborhoods is all the more evidence of the success similar programs throughout the country could find if they followed the Vermont approach.”

— *Representative Peter Welch (D-Vt.)*

